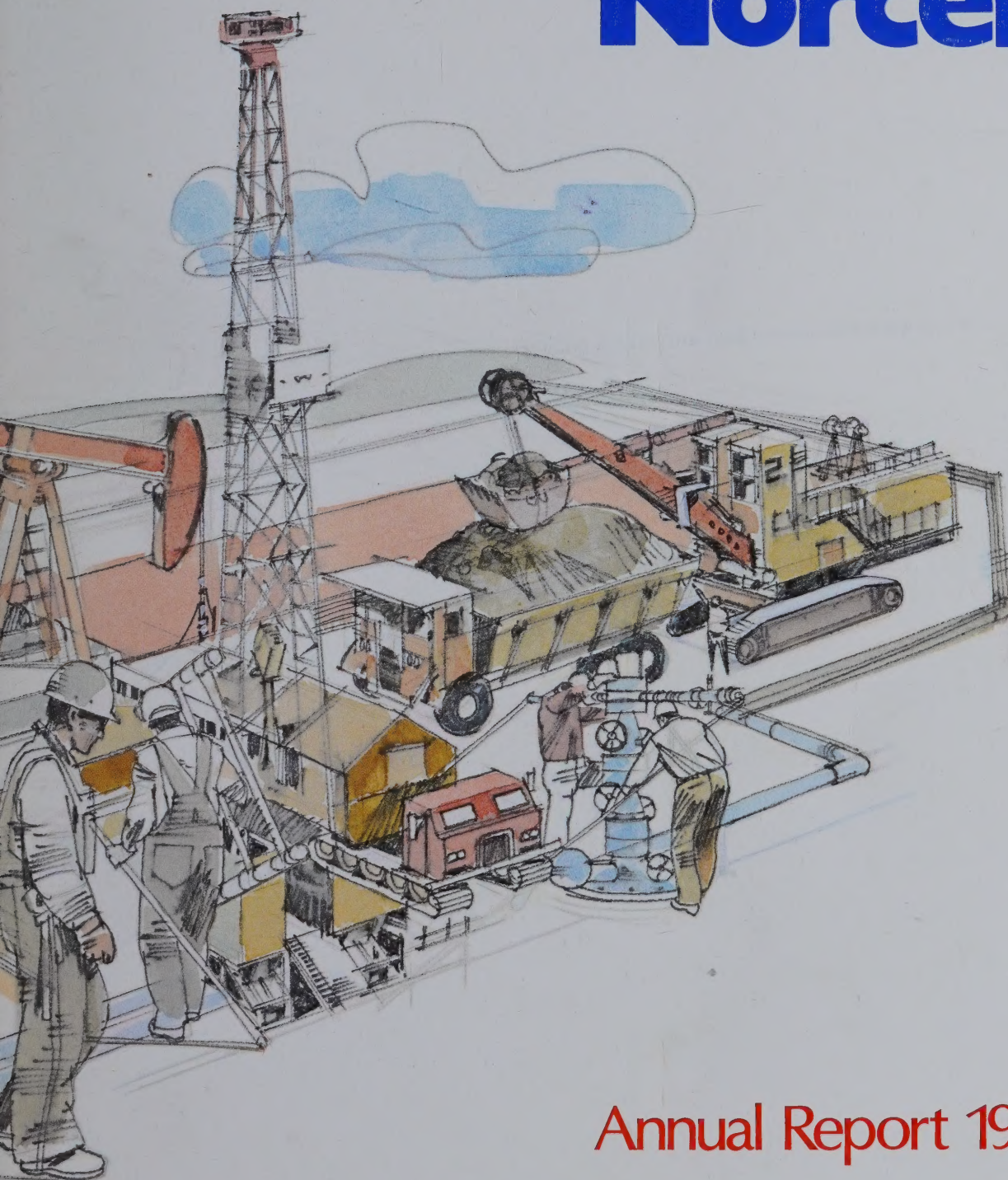


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*Mr. San Carlos Editor  
Business  
R-O-B*

# Norcen



Annual Report 1976





Norcen



## TO THE SHAREHOLDERS:

### Six Months' Earnings

Net income applicable to common shares for the first half of 1976 was \$22,072,000, an increase of 32% over \$16,684,000 for the similar period in 1975. Sales and other revenues were up from \$238,567,000 in 1975 to \$323,679,000 in 1976. Earnings per common share were \$1.13 compared to \$0.86 in 1975.

### Natural Resources

#### Oil and Gas

As a result of higher wellhead prices for crude oil and natural gas, earnings from the oil and gas operations increased from \$7,706,000 in 1975 to \$11,148,000 (before interest expense on inter-company Promissory Note) in 1976. Further price increases have been announced to take effect in the second half of 1976. Gross production of oil and natural gas liquids declined from 25,000 barrels per day in 1975 to 22,600 barrels per day in 1976, due principally to reduction in exports. Gross daily production of natural gas was 181.1 million cubic feet compared to 190.2 million cubic feet in 1975.

#### Coal

Production for the first six months of 1976 was 781,000 raw short tons compared to 638,000 raw short tons in the same period of 1975. However, due primarily to increased operating expenses, including depreciation, and lower yields of clean coal, contribution to consolidated net income declined to \$23,000 in 1976 from \$1,186,000 in 1975.

### Gas Distribution Operations

During the first half of 1976 gas sales volumes were 131.4 billion cubic feet compared to 129.3 billion cubic feet in 1975. The weather across Norcen's distribution area was 1% warmer than normal and 2% colder than the first half of 1975. Revenues from gas sales increased by 43% from \$145,676,000 to \$209,132,000. Of this increase in revenues \$55,500,000 was required to meet higher costs of gas. Contribution to consolidated net income increased to \$12,912,000 (before interest income on inter-company Promissory Note) in 1976 from \$9,852,000 in the first half of 1975.

### Financings

In the first eight months of 1976 Norcen will have raised an aggregate of \$160 million in four major financings:

—in April Norcen sold in Europe Canadian \$20 million 9¾% Secured Debentures due 1983 at an issue price of 99½%;

- in May U.S. \$19 million and Canadian \$6 million First Mortgage Bonds due 1993 with an annual interest rate of 11% and 11¾% respectively were issued and sold at par by Northern and Central Gas Corporation Limited;
- in July Norcen completed the issue and sale at par to U.S. institutional investors of U.S. \$56 million and Canadian \$24 million Secured Notes due 1988 at an annual interest rate of 10¼% and 11¼% respectively;
- also in July, Norcen's underwriters marketed a public offering in Canada of \$35 million 11¼% Secured Debentures due 1996 and priced at 99½% with the proceeds scheduled to be received August 1976.

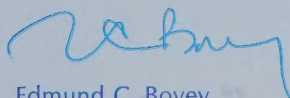
The whole of the proceeds from these financings are being applied to repay borrowings under term and demand bank credits including those relating to the acquisition of Great Plains Development Company of Canada, Ltd. No further financings are planned for the remainder of 1976.

### Stock Exchange Listing

Recognizing the predominance of the natural resource contribution to Norcen's annual earnings, the Toronto Stock Exchange has, effective August 3, 1976, reclassified Norcen common shares from the utility index into the western oil index. Under the new composite index system, which the Toronto Stock Exchange proposes to introduce January 1, 1977, Norcen will have the second highest weighting in the oil and gas producers' index.

### Outlook

While the first six months of 1976 saw some segments of Norcen's operations experience shortfalls in operating results, nevertheless the strengths inherent in Norcen's diversification within the energy sector have been demonstrated by the overall performance. Although the precise direction of Canada's economic activity over the remainder of the year is by no means certain, we believe at this time that the trend in earnings experienced by Norcen in the first half of 1976 will continue through the balance of the year.



Edmund C. Bovey  
Chairman



Edward G. Battle  
President



## COMPARATIVE STATEMENT OF INCOME (Unaudited)

(Thousands of Dollars)

	6 Months Ended June 30		12 Months Ended June 30	
	1976	1975	1976	1975
<b>Revenues</b>				
Sales and other revenues .....	\$323,679	\$238,567	\$564,214	\$412,251
<b>Costs and expenses</b>				
Gas purchases .....	173,174	114,035	293,840	198,426
Production, operations and maintenance .....	68,798	56,990	126,026	103,346
Depreciation and depletion .....	20,449	17,031	37,945	30,255
Interest — long-term debt .....	13,701	13,029	28,766	25,421
— other .....	9,843	5,700	16,068	8,379
Income taxes — current .....	10,201	9,920	16,339	11,441
— deferred .....	1,211	2,237	2,161	5,896
	297,377	218,942	521,145	383,164
<b>Income before minority interests</b> .....	26,302	19,625	43,069	29,087
<b>Minority interests in subsidiaries</b> .....	2,219	1,358	3,845	2,611
<b>Income before extraordinary items</b> .....	24,083	18,267	39,224	26,476
<b>Extraordinary items</b>				
Reduction of a subsidiary's income taxes resulting from application of prior years' losses, after minority interest .....		477	144	672
Write-down of investment (net of deferred income taxes) .....			(6,667)	(2,334)
<b>Consolidated net income</b> .....	24,083	18,744	32,701	24,814
<b>Dividends on preference shares</b> .....	2,011	2,060	4,059	4,137
<b>Net income applicable to common shares</b> .....	\$ 22,072	\$ 16,684	\$ 28,642	\$ 20,677
<b>Earnings per common share</b>				
Before extraordinary items .....	\$ 1.13	\$ .84	\$ 1.81	\$ 1.15
Including extraordinary items .....	\$ 1.13	\$ .86	\$ 1.47	\$ 1.07
<b>Fully diluted earnings per common share</b>				
Before extraordinary items .....	\$ .98	\$ .74	\$ 1.59	\$ 1.08
Including extraordinary items .....	\$ .98	\$ .76	\$ 1.33	\$ 1.02



## COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION (Unaudited)

(Thousands of Dollars)

		6 Months Ended June 30	
		<u>1976</u>	<u>1975</u>
<b>Source of funds</b>			
Operations			
Consolidated net income .....		\$ 24,083	\$18,744
Charges not requiring funds .....		25,551	20,863
		<u>49,634</u>	<u>39,607</u>
Issue of long-term debt .....		44,591	25,000
Proceeds from litigation on Coleman Collieries Limited .....			6,202
Reclassification of current income taxes to deferred .....		1,044	
Issue of common shares for cash .....			16
		<u>95,269</u>	<u>70,825</u>
<b>Application of funds</b>			
Acquisition of Great Plains Development Company of Canada, Ltd. including its working capital deficiency of \$1,122 .....			97,555
Term bank credits .....			93,000
			<u>4,555</u>
Expenditures on properties, plant and equipment, net .....		22,216	30,107
Reduction in demand bank credits, net .....		15,090	10,994
Reduction in term bank credits, net .....		31,139	
Retirement of long-term debt .....		11,387	12,447
Dividends—common shares .....		6,628	5,587
—preference shares .....		2,011	2,060
—minority shareholders of subsidiaries .....		1,109	703
Investments .....		1,096	(597)
Redemption of preference shares .....		141	267
Deferred charges and other, net .....		2,075	2,051
		<u>92,892</u>	<u>68,174</u>
<b>Increase in funds</b> .....		2,377	2,651
<b>Funds at beginning of period</b> .....		9,329	4,851
<b>Funds at end of period</b> .....		<u>\$ 11,706</u>	<u>\$ 7,502</u>
<b>Summary of funds</b>			
Current assets .....		\$106,381	\$89,435
Current liabilities, excluding demand bank credits ....		94,675	81,933
<b>Funds at end of period</b> .....		<u>\$ 11,706</u>	<u>\$ 7,502</u>

## **Norcen** Energy Resources Limited

4600 Toronto-Dominion Centre  
Toronto, Ontario M5K 1E5

Norcen Tower  
715-5th Avenue S.W.  
Calgary, Alberta T2P 2X7

1st Floor, Wellington House  
6/9 Upper St. Martin's Lane  
London, England WC2H9DL

### **Northern and Central Gas Corporation Limited**

245 Yorkland Boulevard  
Willowdale, Ontario M2J 1R1

### **Gaz Métropolitain, inc.**

1155 Dorchester Boulevard West  
Montreal, Quebec H3B 3S7

### **Greater Winnipeg Gas Company**

265 Notre Dame Avenue  
Winnipeg, Manitoba R3B 1N9

### **Coleman Collieries Limited**

Coleman, Alberta T0K 0M0

## **Norcen** Energy Resources Limited

Interim Report  
June 30, 1976



# Highlights

(thousands of dollars, except per share figures)

	1976	1975	Percentage Increase (Decrease)
<b>Sales and other revenues</b>			
Oil and gas .....	\$134,265	\$120,590	11.3
Coal .....	46,275	36,731	26.0
Natural gas utilities .....	447,357	321,352	39.2
	<u>\$627,897</u>	<u>\$478,673</u>	31.1
<b>Income contributions</b>			
Oil and gas .....	\$ 24,189	\$ 21,512	12.4
Coal .....	362	1,175	(69.1)
Natural gas utilities .....	12,245	10,292	19.0
<b>Income before extraordinary items</b> .....	<u>\$ 36,796</u>	<u>\$ 32,979</u>	11.6
<b>Income applicable to common shares</b> .....	\$ 32,827	\$ 28,871	13.7
<b>Earnings per common share</b> .....	\$ 1.68	\$ 1.49	12.8
<b>Oil and gas production</b>			
Oil and gas liquids — bbls/day .....	23,293	25,799	( 9.7)
Natural gas — Mmcf/day .....	166	177	( 6.2)
<b>Coal production</b> — short clean tons .....	1,053,000	854,000	23.3
<b>Natural gas utilities sales</b> — Mmcf .....	253,288	241,027	5.1

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# Report to the Shareholders

The year 1976 was another year of progress for Norcen Energy Resources Limited. Earnings available to common shares before extraordinary items improved 14% over the previous year, from \$28.9 million to \$32.8 million, on a per share basis, \$1.68 for 1976 compared with \$1.49 in 1975. Including extraordinary items earnings per common share were \$1.84 this year and \$1.18 last year. Total revenues increased from \$478.7 million to \$627.9 million.

Factors significantly affecting 1976 results were:

- higher wellhead prices for crude oil and natural gas;
- decreased production of crude oil and natural gas;
- reduced profit margins in the LP gas operations;
- marginally colder than normal weather across the gas utilities area;
- rate refund by the Company's Ontario utility; and
- higher production costs in the coal operations.

## Finance

At the beginning of 1976 Norcen had bank borrowings of over \$190 million. During the year four long-term debt financings totalling almost \$160 million were completed which reduced this figure to \$59 million at year end. The sale for cash of Western Propane, Inc. and of a subsidiary's investment

in shares of British Columbia Oil Lands Ltd., also contributed to this improved position.

## On the energy front

The Canadian public in 1976 began to accept the fact that our country would face a domestic crude oil shortage in the mid 1980's, that there was the need for higher prices to spur exploration and development, and for national conservation policies.

Positive moves by industry and governments in this regard included:

- improved royalty and tax policies at the provincial level;
- the federal statement of a strategy for energy;
- acceleration of the hearings for an Arctic gas pipeline;
- stepped-up drilling programs in the western provinces;
- more realistic wellhead prices for oil and natural gas; and
- energy conservation programs in a number of provinces.

The past year saw careful management of presently established natural gas reserves become the concern of the energy industry, individual consumers, and extractive and manufacturing industries. Norcen, on behalf of shareholders and customers, took steps through exploration efforts and gas supply procedures to ensure that no dislocation or interruption of service would occur in the near term. It now appears that a relative

balance of supply and demand can be maintained in Canada for the next few years by the production of gas reserves in the Western Canadian Sedimentary Basin which until recently have not been economic. For the longer term into the 1980's it is obvious that the national interest is served best by bringing to market through the Canadian Arctic Gas project, the reserves of the Mackenzie Delta and Beaufort Sea. In this regard it is most encouraging that the Presiding Administrative Law Judge of the Federal Power Commission in Washington, D.C., on February 1, 1977 after hearing competitive applications to bring frontier gas supplies to market, found it "clearly superior". It is essential that the National Energy Board reaches a decision as soon as possible on this important matter so vital to Canada's economic, industrial and social future.

As a major Canadian investor-owned corporation working to improve the energy situation in Canada, Norcen will continue to advocate:

- greater conservation measures by customers and the public generally;
- improved research and technical application in all fields of energy;
- more specific government policies for frontier exploration and development; and
- more intensive direction of capital into the exploration and development of additional energy supplies.



## **Taxes and royalties**

Reduced taxes and royalties in 1976 as a result of the accord reached by the Federal and Alberta governments during the previous year, improved industry cash flow available for development and exploration.

While still not allowing full stimulus and benefit of price increases, the Federal-Alberta understanding has served as an encouraging example for British Columbia. Saskatchewan's attitude, on the other hand, still remains uncertain and places future exploration in that Province in doubt.

Norcen shareholders will recall the Company's publicly declared stand on energy price adjustment in the annual report a year ago. We would only favour upward pricing if industry, and not governments, were the beneficiary of such adjustments.

We said then, and we believe now, that the Canadian public is being served by the energy price rises only to the extent that additional revenues are directed to the discovery and development of new energy supplies.

## **Investment and profits**

The need for a higher rate of growth, higher employment and productivity, capital accumulation and investment has become a major concern of business leaders in Canada today; this, at a time when the nation is still adjusting to the economic harness of wage and price controls.

The danger of runaway inflation in 1976 did pose a threat not only to consumers and wage earners but to

business people preoccupied with rising costs, low productivity and increased competitive pricing.

Deflating the expectations of the public has resulted in many unpopular Anti-Inflation Board rulings. To make the labour sector less restive, the Board took arbitrarily harsh measures with business profits in a manner which has caused serious disincentive to needed industrial expansion.

The advantage gained in reducing wage and income expectations has been overshadowed by the dampening of stock market investment and the reduction in capital expenditures. The problem of capital accumulation and investment encouragement now looms even larger as a national issue of critical importance.

## **The need for understanding**

The anti-inflation program this past year proved tense for labour, management, and investors. Canadians understandably reacted to controls and their personal economic prospects with great concern. While politicians were quite correctly assailed for lack of constructive and unifying policies and governments' overspending, the blame also lay with all of us. Labour and management must try harder in 1977 to see each other's point of view.

All of us in turn must recognize international as well as domestic realities. We cannot look to future political elections as moments of magical resolution of our economic problems. Governments after all do reflect

electorates, their composition being a cross-section of the social and economic community.

## **The human factor**

In a balanced review of a company's business year, there is the all important human factor behind progress. We refer to our excellent office and field staffs. It is to these human resources that Norcen looks to achieve maximum efficiencies and productivity. In preparing this report we again have the opportunity to express thanks to all employees. A special word of thanks is due also to shareholders for their continued support and encouragement.

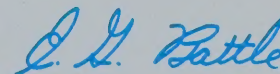
## **The year ahead**

Although Canadian business activity in 1977 will be affected by continuing uncertainties, some of which we have mentioned, Norcen anticipates an improvement in earnings over 1976.

On behalf of the Board,



Edmund C. Bovey,  
Chairman



E. G. Battle,  
President

February 22, 1977



## Exploration

Expenditures in 1976 for oil and gas exploration were \$12 million and it is anticipated that \$21.8 million will be spent in 1977. In addition in 1976, approximately \$5 million was spent by other companies to earn interests in acreage farmed out by Norcen.

### Canada

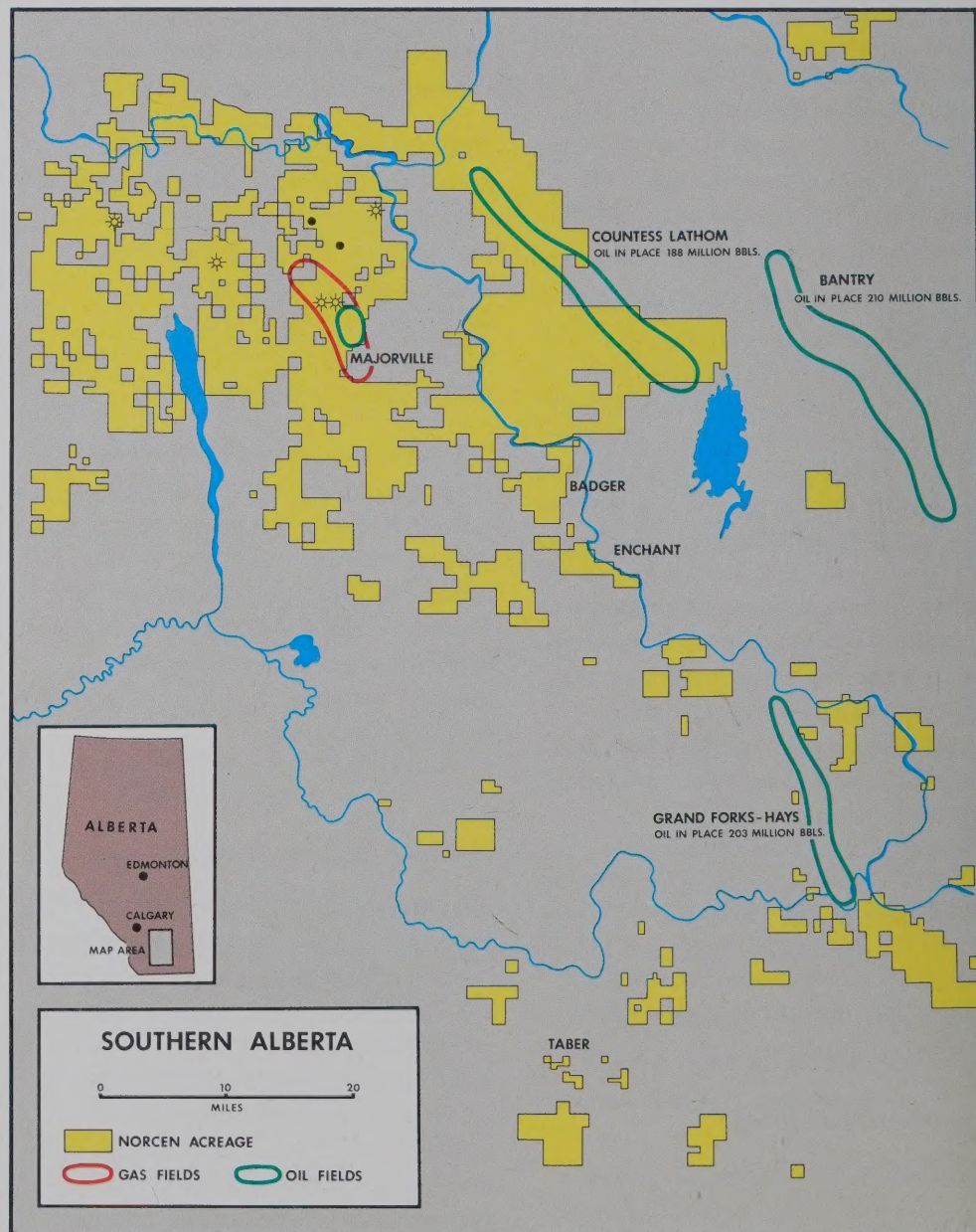
In 1976, the Company participated in 57 exploratory wells resulting in 22 gas and 4 oil wells. Exploration programs were concentrated in the central and southern sections of Alberta where 20 gas and 4 oil wells were completed. In 1977 the Company plans to participate in 40 wells in southern Alberta.

### The Arctic

Norcen's principal exploratory land holdings in Canada's frontier areas are in the Arctic Islands and the Beaufort Sea. The Company participated in two wells in these areas in 1976, one at Hecla on Melville Island which was abandoned. The other, Dome Gulf et al Tingmiark K-91, located in the Beaufort Sea 50 miles



Explorer I and Supply Ship on Tingmiark K-91 location.

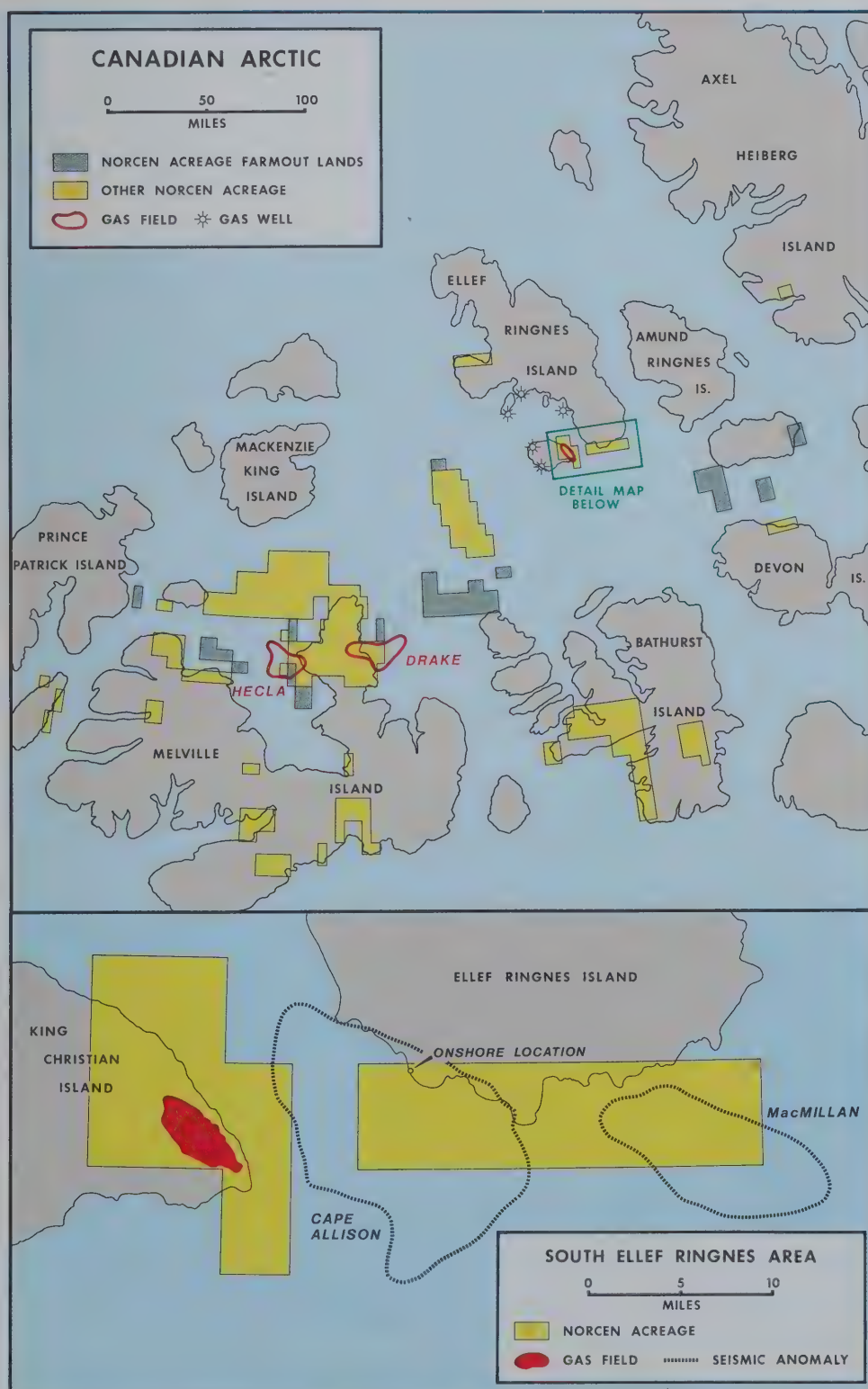


offshore, is the first of two wells to be drilled at no cost to the Company on acreage in which Norcen has an 8.17% interest. Drilled to 10,010 feet this well penetrated seven feet of gas bearing sand and may be further evaluated in 1977.

In the Sverdrup Basin of the Arctic

Islands, 1,020,000 acres, 100% owned, are part of a 33 million acre farmout to a group of major companies committed to spend \$80 million over the next four years. Included are two offshore wells to be drilled prior to 1980 at no cost to the Company, on lands in which a 50% interest will be retained by Norcen.





	Wells Drilled 1976		1975	
	Gross	Net	Gross	Net
<b>Exploratory Wells</b>				
Oil .....	4	1.4	5	1.2
Gas .....	22	7.3	22	7.6
Dry .....	35	13.3	38	14.4
	<u>61</u>	<u>22.0</u>	<u>65</u>	<u>23.2</u>
<b>Development Wells</b>				
Oil .....	22	6.4	56	17.9
Gas .....	63	18.4	36	9.7
Dry .....	14	3.9	14	4.2
	<u>99</u>	<u>28.7</u>	<u>106</u>	<u>31.8</u>
<b>Total All Wells</b>	<u>160</u>	<u>50.7</u>	<u>171</u>	<u>55.0</u>

A directional well is planned from the southern shore of Ellef Ringnes Island to evaluate the large offshore Cape Allison seismic structure. The well will be located 12 miles east of the King Christian gas field which has a pay thickness of up to 470 feet. The Company has a 25% interest in 31,000 acres covering the prime portion of the structure, and will have a similar interest in the well.



Explorer I-Winter Harbour at Pauline Cove-Herschel Island.





of the Piper and Claymore oil fields. Final terms must still be negotiated with the government.

Agreement in principle has been reached for a 20% interest in an exploration program on approximately 4 million offshore acres adjacent to the new island nation of Seychelles in the Indian Ocean. Seismic surveys will commence in 1977.

In the United States, the Company has a 4% working interest in an 18 well production platform in the Gulf of Mexico. Development drilling commenced recently.

#### Minerals

An active mineral exploration program was continued in 1976. In addition Norcen organized and will be operator for a three-company consortium to conduct uranium exploration in Canada in 1977. Expenditures totalled \$0.8 million and \$0.9 million is planned for 1977.

#### Mineral and Coal Holdings (Acres)

December 31, 1976

	Gross	Net
Alberta .....	485,000	194,000
British Columbia ....	53,000	26,000
Saskatchewan .....	13,000	6,000
Northwest Territories .	268,000	134,000
Yukon Territory .....	12,000	6,000
Ontario .....	22,000	9,000
Quebec .....	4,000	2,000
Nova Scotia .....	34,000	14,000
<b>Total</b> .....	<b>891,000</b>	<b>391,000</b>
Alberta coal rights ...	62,000	59,000

#### Land holdings

At year end oil and gas land holdings totalled 23,095,000 gross (8,655,000 net) acres in Canada and 6,033,000 gross (1,849,000 net) acres in international areas (see table).

The Company also owns 891,000 gross (391,000 net) acres of other mineral rights and 62,000 gross (59,000 net) acres of coal rights.

#### International

Norcen participated in four wells, one in the North Sea, one offshore Tunisia and two in the United States. The North Sea well was in the Amethyst field where three previous wells were gas completions. Economic studies for the development of the Amethyst field are being reviewed.

Norcen is a 25% partner in a consortium which was offered two blocks in the U.K. Sector of the North Sea in the Fifth Round Awards announced in February 1977. The two blocks are in the prospective Moray Firth basin west

Cold Lake experimental  
in situ heavy oil recovery plant



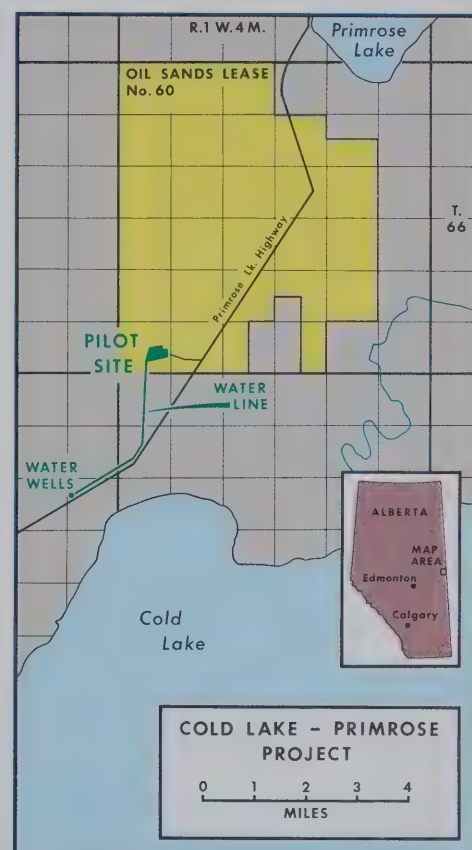


## OIL AND GAS LAND HOLDINGS

December 31, 1976

	Leases		Reservations, Permits Concessions and Licenses		Total	
	Gross Acres	Net Acres	Gross Acres	Net Acres	Gross Acres	Net Acres
<b>Canada</b>						
Alberta .....	3,964,000	1,716,000	947,000	522,000	4,911,000	2,237,000
British Columbia ..	801,000	128,000	699,000	214,000	1,500,000	341,000
Manitoba .....	75,000	22,000			75,000	22,000
Ontario .....	4,000	4,000	2,000	2,000	6,000	6,000
Saskatchewan .....	200,000	87,000	47,000	47,000	247,000	134,000
<b>Canadian Frontier</b>						
Arctic Islands ....	561,000	252,000	8,527,000	3,813,000	9,088,000	4,066,000
Beaufort Sea .....			2,600,000	546,000	2,600,000	547,000
Northwest Territories .....			1,874,000	392,000	1,874,000	392,000
Yukon Territory ..			1,646,000	649,000	1,646,000	649,000
East Coast						
Flemish Pass ...			213,000	213,000	213,000	213,000
Scotian Shelf ...			935,000	48,000	935,000	48,000
	<u>5,605,000</u>	<u>2,209,000</u>	<u>17,490,000</u>	<u>6,446,000</u>	<u>23,095,000</u>	<u>8,655,000</u>
<b>Foreign</b>						
United States ....	17,000	1,000			17,000	1,000
British Sector of North Sea .....	171,000	28,000			171,000	28,000
Adriatic Sea .....			41,000	41,000	41,000	41,000
Oman .....	3,855,000	1,144,000			3,855,000	1,144,000
Tunisia .....			1,949,000	635,000	1,949,000	635,000
	<u>4,043,000</u>	<u>1,173,000</u>	<u>1,990,000</u>	<u>676,000</u>	<u>6,033,000</u>	<u>1,849,000</u>
<b>Total .....</b>	<u><u>9,648,000</u></u>	<u><u>3,382,000</u></u>	<u><u>19,480,000</u></u>	<u><u>7,122,000</u></u>	<u><u>29,128,000</u></u>	<u><u>10,504,000</u></u>

In addition to the above, royalty interests are held in 1,012,000 gross acres, and net carried interests in 404,000 gross (16,000 net) acres.



Hairy Hill. It is expected that by the end of 1977 new gas developments will add 13 Mmcf per day to gross gas sales from existing properties.

### Heavy Oil

Construction at the Cold Lake experimental in situ recovery project was completed and steam injection commenced in September. Three of nine wells have received steam stimulation and some heavy oil has been produced. This is the first phase of a three-year pilot operation to evaluate the feasibility of producing heavy oil from the Cold Lake oil sands. Investment to date is \$7 million of which one-quarter is Norcen's share, the balance provided by Japan Oil Sands Company Primrose Limited.



Cold Lake steam injection oil well

### Oil and gas development

During the year, the Company participated in 99 development wells (see table on page 5) resulting in 63 gas and 22 oil wells. Expenditure of \$10 million was incurred to maintain revenue from existing fields and develop new production from established natural gas reserves not yet being produced. In the Verger area in southeastern Alberta, gathering and compression facilities constructed will result in 3 Mmcf per day of new gas production. Other new gas projects in Alberta were located at Athabasca East, Badger-Enchant and



### Crude oil, synthetic crude oil and gas liquids production

(barrels per day before royalties)

	1976	1975
Alberta .....	20,308	22,617
Saskatchewan .....	2,198	2,296
British Columbia .....	787	886
<b>Total .....</b>	<b>23,293</b>	<b>25,799</b>

### Natural gas production

(Mmcf per day before royalties)

	1976	1975
Alberta .....	158.0	166.8
British Columbia .....	7.8	10.3
<b>Total .....</b>	<b>165.8</b>	<b>177.1</b>

## Production and reserves

### Crude oil, synthetic crude oil and gas liquids

Daily production, before royalties, averaged 23,293 barrels, down 2,506 barrels from last year due to natural decline in older fields and restrictions on the export of light and medium gravity oil.

The price of western Canadian crude oil increased by \$1.05 and \$0.70 per barrel on July 1, 1976 and January 1, 1977, respectively, bringing the current average price to \$9.75 per barrel, compared with world price of approximately \$12.50 per barrel. The average price received by the Company for crude oil production in 1976 was \$8.20 per barrel, an increase of \$1.23 over 1975. Similar price increases applied to synthetic crude production.

A decision by the Supreme Court of Canada in the Company's constitutional challenge of Saskatchewan's legislation imposing a mineral income tax on oil production from freehold lands and a royalty surcharge on oil production from Crown lands, has not yet been handed down but is expected shortly.

### Natural Gas

Sales, before royalties, averaged 165.8 Mmcf per day compared with 177.1 Mmcf per day in 1975. The decrease was due to reductions in demand under contracts, lower sales to the Company's industrial gas system and normal declines in older fields.

The Alberta border price increased 13.8¢ per Mcf on July 1, 1976 and 7¢ per Mcf on January 1, 1977. Producers now receive approximately \$1.22 per

Mcf for gas sold outside the Province. The average price received by the Company for gas sold was 86.2¢ compared with 58.6¢ per Mcf in the preceding year.

### Reserves

The Company's reserves of crude oil, synthetic crude oil and gas liquids, before royalties, at December 31, 1976, were estimated at 118.2 million barrels compared with 130.7 million barrels at the end of 1975. Reserves of natural gas, before royalties, were estimated at 1,075.4 billion cubic feet compared with 1,152.8 billion cubic feet a year ago.

These estimates do not include reserves of natural gas in the Arctic and the North Sea, and heavy oil reserves in Alberta.



LP gas truck





*Oil pipeline header*

#### *Oil gathering and transmission*

The Company's 255 miles of transmission pipelines and 438 miles of gathering systems in the four western provinces transported an average of 83,000 barrels per day compared with 81,400 barrels per day in 1975. Proven and probable reserves supporting these systems are estimated at 733 million barrels at year end.

#### *Gas gathering and transmission*

The average daily throughput of the industrial gas system in the Edmonton area was 75.9 Mmcf per day compared with 91.7 for the previous year. The decrease was due to the termination of a sales contract.

Approximately 45% of the gas for the system is produced from Norcen's wells. The balance is purchased.

#### **Liquefied petroleum gas**

Sales of LP gas were 123 million imperial gallons, an increase of 13 million gallons over the previous year, due entirely to wholesale sales to the United States. Above normal temperatures and the Alberta government sponsored rural gasification program, have reduced sales volumes in western Canada. Government regulation of prices reduced margins substantially preventing the Company from full recovery of inflationary related operating costs.

During the year Western Propane, Inc., a United States subsidiary, was sold.

#### **Coal**

The Company operates two surface mines and one underground mine in the Crowsnest Pass area of Alberta and British Columbia. In 1976, 1,053,000 clean short tons of coal were produced, 199,000 tons or 23% more than in 1975. Net earnings, although more than forecast for the year, did not reflect the improved production due to higher operating costs and the levelling of prices.

For the past three years exploration work has been conducted on Tent Mountain in the vicinity of presently operated open pit mines and significant new reserves with potential for long-term future development have been defined. A feasibility study to determine the economics of producing these reserves will be completed in 1977.

*Blast hole drill — Alberta coal operations*





# Gas Utilities Division

## Operations

Utility revenues increased to \$447 million from \$321 million in the previous year, mainly because of higher gas costs. Volumes of gas sold increased from 241,027 to 253,288 Mmcf. At year end the number of customers being served was 424,621 compared with 422,780 in 1975.

Capital expenditures for system expansion maintenance and coke plant improvement were \$24 million during 1976 and are expected to be \$27.7 million in 1977.

## Regulation

Interim rate increases were obtained during the year in Manitoba, Ontario and Quebec to pass through gas cost increases. Greater Winnipeg Gas and Gaz Métropolitain obtained rate orders which established for each company a new rate base and rate of return based on 1975 results.

In its Reasons for Decision issued in September 1976 the Ontario Energy

Board found that the Company's Ontario utility rates established in the 1975 test year (including an interim increase in rates effective November 8, 1975) would have produced income of \$2.9 million in excess of what the Board considered to be the allowed level of return. Early in 1977 the Board ordered that a refund be made of 2.48¢ per Mcf on all volumes sold for the period November 8, 1975 to January 12, 1977. Northern and Central has accordingly provided for refunds of \$0.4 million and \$3.1 million for 1975 and 1976 respectively.

As a result, 1976 operations earned a return of approximately 8.6% compared with an allowable rate of 9.51%. These returns compare with 10.1% established on a 1975 test year for another Ontario gas distributor and with 10.2% allowed by the National Energy Board to the company's supplier.

Northern and Central's Ontario utility intends to apply as soon as possible for a hearing to establish rate of return based on 1976 figures.

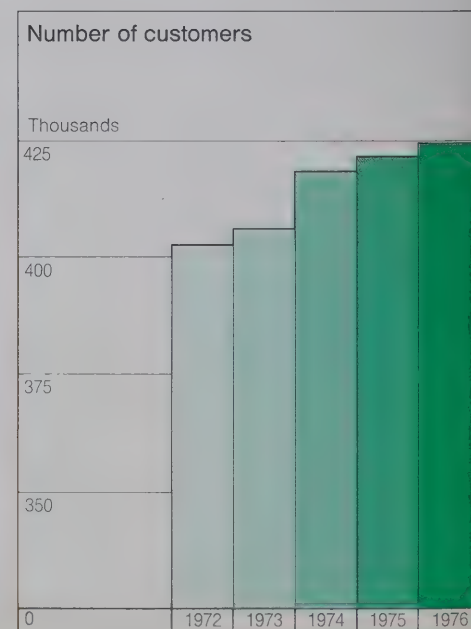
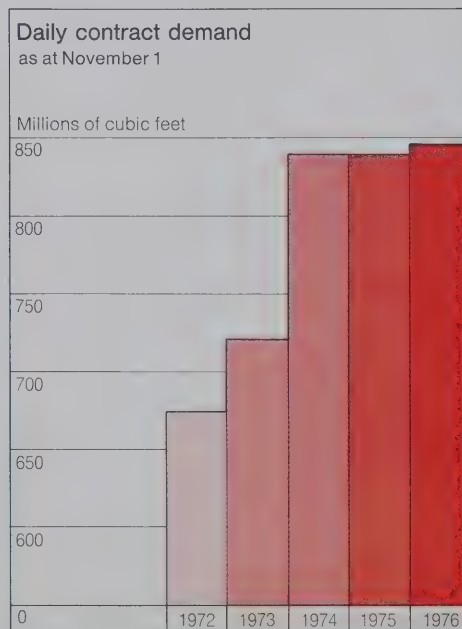
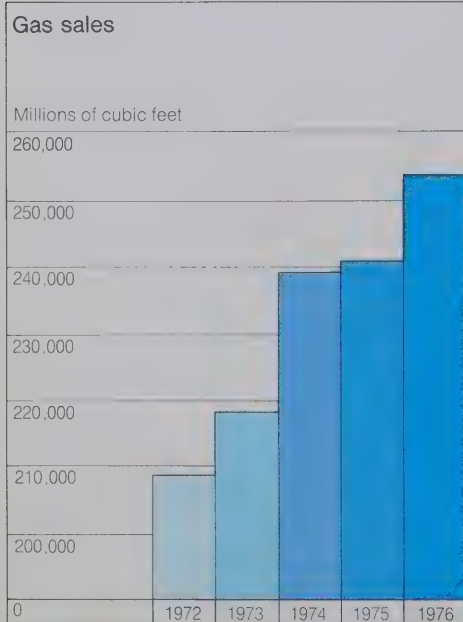
## Gas supply

The company's supplier indicated during the year that it will be able to meet existing contractual requirements until 1982, provided licences are obtained to remove these quantities from the Province of Alberta. Higher field prices resulted in additional volumes of gas for market expansion.

The company believes it can now maintain sales growth particularly in the residential, commercial and small industrial markets until the early 1980's when frontier supplies should be available. In 1976 the total contracted gas supply was 847 Mmcf per day compared with 839.5 Mmcf per day in 1975.

## Appointment

Mr. Jacques Beauchamp was appointed President of Gaz Métropolitain, inc. and a Director of Northern and Central Gas Corporation Limited.





## Sales and other revenues

During 1976 sales and other revenues were \$627,897,000 an increase of 31% over \$478,673,000 a year ago. Revenues are summarized by principal activities as follows:

	1976	%	1975	%
Oil and gas production	\$134,265	21.4	\$120,590	25.2
Coal production	46,275	7.4	36,731	7.7
Natural gas distribution	447,357	71.2	321,352	67.1
(thousands)	<u>\$627,897</u>	<u>100.0</u>	<u>\$478,673</u>	<u>100.0</u>

Wellhead price increases for oil and gas more than offset production decreases. Interim rate increases to recover higher unit cost of purchased gas was the principal reason for the higher revenues for the natural gas distribution operations.

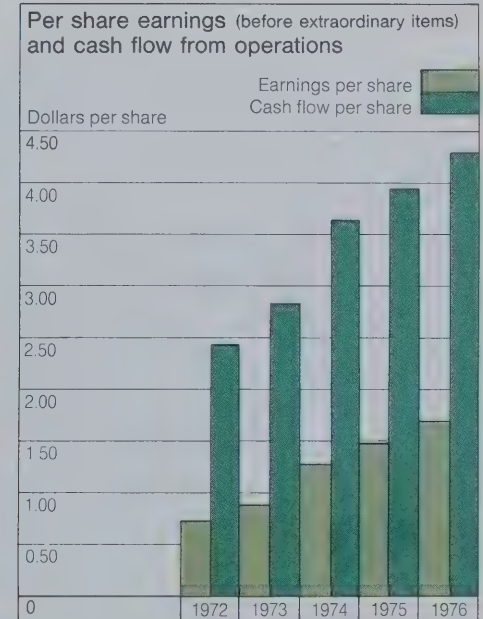
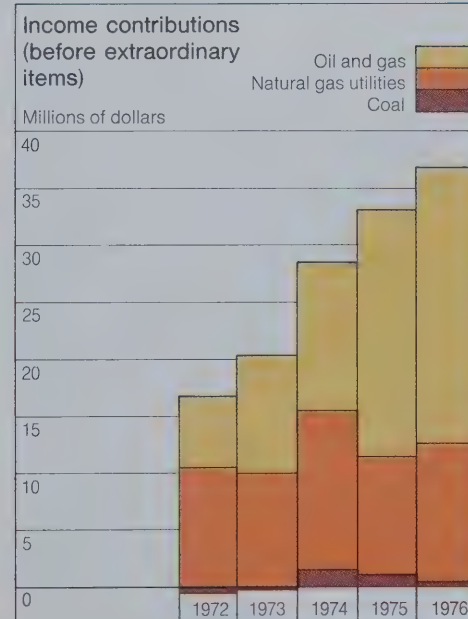
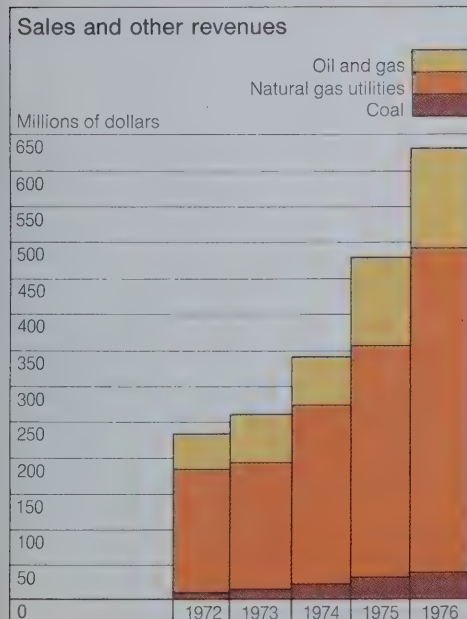
*Natural gas cooling tower at Hagar, Ontario liquefaction storage plant.*

## Income and earnings, before extraordinary items

Before extraordinary items, consolidated net income was \$36,796,000 compared with \$32,979,000 in 1975 and was derived from the following operations:

	1976	%	1975	%
Oil and gas production	\$24,189	65.7	\$21,512	65.2
Coal production	362	1.0	1,175	3.6
Natural gas distribution	12,245	33.3	10,292	31.2
(thousands)	<u>\$36,796</u>	<u>100.0</u>	<u>\$32,979</u>	<u>100.0</u>

Preference dividends paid in 1976 were \$3,969,000 (\$4,108,000 a year ago) and net income applicable to common shares, before extraordinary items, was \$32,827,000 (\$1.68 per share) compared with \$28,871,000 (\$1.49 per share) in 1975.





## Extraordinary items

The sale during 1976 of Western Propane, Inc. (an LP gas subsidiary operating in the United States) and of a subsidiary's investment in shares of British Columbia Oil Lands Ltd. resulted in profits reflected in extraordinary items of \$3,887,000. Also during 1976 a gas distribution subsidiary operating in Quebec wrote down its plant by \$485,000 on the proposed discontinuance of a part of its operations.

Including extraordinary items, net income applicable to common shares was \$35,908,000 (\$1.84 per share) compared with \$22,825,000 (\$1.18 per share) in 1975.

## Return on equity

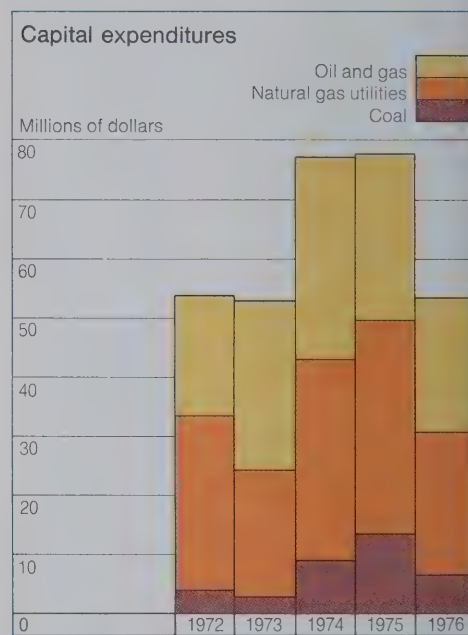
Not including extraordinary items, return on average preference and common shareholders' equity was 15.7% compared with 15.0% last year. Return on average common shareholders' equity was 19.5% compared with 19.0% in 1975.

## Capital expenditures

Net expenditures on properties, plant and equipment in 1976 were \$53,240,000 compared with \$78,882,000 in 1975.

	1976	1975
Oil and gas		
Canada .....	\$18,164	\$22,060
Foreign .....	4,624	7,494
	<u>22,788</u>	<u>29,554</u>
Natural gas distribution		
Quebec .....	14,652	20,454
Ontario .....	5,773	10,767
Manitoba .....	3,432	4,091
Other .....	360	291
	<u>24,217</u>	<u>35,603</u>
Coal		
Alberta .....	6,235	13,725
(thousands)	<u>\$53,240</u>	<u>\$78,882</u>

For 1977 Norcen's capital expenditures are expected to be \$65.1 million: \$35.7 million for oil and gas exploration and development; \$27.7 million for natural gas distribution; and \$1.7 million for coal.



## Financing

During 1976 four long-term financings were completed:

- in April Norcen sold in Europe \$20 million 9¾ % Secured Debentures due 1983 at an issue price of 99½ %;
- in May N & C sold at par U.S. \$19 million and Canadian \$6 million First Mortgage Bonds due 1993 with annual interest rates of 11% and 11⅜ % respectively;
- in July Norcen sold at par to U.S. institutional investors U.S. \$56 million and Canadian \$24 million Secured Notes due 1988 at annual interest rates of 10¼ % and 11¼ % respectively;
- in August Norcen sold through a public offering in Canada \$35 million 11¼ % Secured Debentures due 1996 priced at 99½ %.

The proceeds from these financings aggregating close to \$160 million were applied to reduce shorter term borrowings under bank lines of credit.

*Liquefied natural gas storage plant — Gaz Métropolitain, Montreal.*





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## Financial Statements



# Accounting Policies

Years ended December 31, 1976 and 1975

## Accounting policies

The principal accounting policies followed by Norcen and its subsidiaries are summarized here to facilitate a review of the consolidated financial statements contained in this report.

## Principles of consolidation

The consolidated financial statements include the accounts of Norcen and all of its subsidiaries; all inter-company transactions have been eliminated. Norcen's principal operations are oil and gas exploration, development and production. The subsidiaries' operations are organized into three types of business which, together with the principal companies involved and percentage ownership by Norcen, are as follows:

	Percentage ownership
Natural resources	
Oil and gas	
Great Plains Development Company of Canada, Ltd. ....	100
Prairie Oil Royalties Company, Ltd. ....	74
Trans-Prairie Pipelines, Ltd. ....	99
Cigas Products Ltd. ....	100
Coal	
Coleman Collieries Limited (Coleman) ....	80
Natural gas distribution	
Northern and Central Gas Corporation Limited (N & C).....	100
Gaz Métropolitain, inc. ....	82
Greater Winnipeg Gas Company ....	99
Columbia Natural Gas Limited ....	99

The excess of acquisition costs over underlying value of net assets at date of purchase in respect of subsidiaries engaged in natural resource activities has been included in property costs and is being systematically charged to income in a manner similar to the particular property costs.

The excess costs in respect of subsidiaries engaged in natural gas distribution are shown as "Intangible assets arising from acquisitions". In the Company's opinion no diminution in value of this item has occurred and accordingly these assets are not being amortized.

## Foreign exchange

Amounts in foreign currency have been converted to Canadian dollars on the following bases: current assets and current liabilities, at the rate of exchange as at the balance sheet date; properties, plant and equipment and related depreciation, at the rate of exchange at the date of acquisition; long-term debt, at the rate of exchange at the date the obligation was incurred; sales and other revenues and costs and expenses, at the average rate of exchange for the respective year.

## Properties, plant and equipment

### Oil and gas

Oil and gas properties include all expenditures related to the exploration and development of oil and gas reserves, whether or not potentially productive. These costs are depleted on the composite unit-of-production method, based on total estimated recoverable reserves.

Oil and gas production equipment and related facilities are depreciated over their estimated useful service life on the straight-line method at various rates, the application of which is equivalent to a composite rate of approximately 5.76% (6.0% in 1975).

### Coal

Coal properties include costs of land, exploration and development, together with the excess of the acquisition cost over the value of the net assets recorded by Coleman at date of acquisition by the Company.



Costs of producing properties are being depleted on the unit-of-production method based on estimated mineable reserves as determined by Coleman engineers; costs of suspended properties are being amortized on the straight-line method over the remaining life of the present sales contracts (to 1983). Amortization of the excess of the acquisition cost referred to above is being provided on a straight-line basis over 28 years.

Production equipment is depreciated at various rates, the application of which is equivalent to a composite rate of approximately 12.70% (8.0% in 1975).

*Natural gas distribution*

Depreciation is provided on the straight-line method at rates approved by regulatory authorities. The application of such rates is equivalent to a composite rate of approximately 2.83% (2.75% in 1975).

**Deferred charges**

Costs of issuing long-term debt are deferred in the year incurred and amortized against income over the term of the applicable issue.

Natural gas distribution companies defer, in the year incurred, certain expenses which the regulatory authorities require or permit to be recovered from future revenues; such charges are being amortized over various time periods, not in excess of 20 years.

**Income taxes**

*Natural resources*

The companies follow the tax allocation method of accounting whereby provisions for income tax are based on the income reported in the accounts. This method results in provision of deferred income taxes to the extent that taxes currently payable have been reduced by claiming depletion and depreciation for income tax purposes in amounts in excess of those reported in the accounts.

*Natural gas distribution*

The companies' rates and revenues, established for regulatory purposes, include recovery of only such income taxes as are currently payable. Accordingly, the companies provide for income taxes on this basis and do not provide for income taxes which may be payable in future years as a result of current differences in timing of deductions, principally in respect of depreciation and amortization, for financial reporting and income tax purposes. Such income taxes not provided and not recovered in revenues amounted, before applicable minority interests, to \$9,400,000 in 1976, \$6,600,000 in 1975 and \$71,900,000 in total to December 31, 1976.

**Earnings per common share**

Earnings per common share have been calculated using the weighted monthly average number of common shares outstanding during the year (19,554,000 in 1976; 19,397,000 in 1975). Fully diluted earnings per common share assumes the conversion of preference shares and convertible notes and the exercise of share options and warrants.

**Corporate reorganization**

On October 28, 1975 Norcen was, in effect, formed as a result of an exchange of shares by former shareholders of N & C and by the former shareholders (other than the 61% share ownership previously held by N & C which was cancelled on the reorganization) of Canadian Industrial Gas & Oil Ltd.

The corporate reorganization has been accounted for in the manner of a "pooling of interests" and accordingly the financial statements are presented on the basis as though the reorganization had taken place as at January 1, 1975.



# Consolidated Balance Sheet

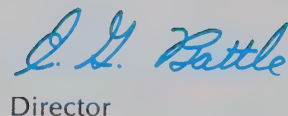
As at December 31, 1976 and 1975

(thousands of dollars)

Assets		1976	1975
Current assets	Cash and deposits .....	\$ 14,909	\$ 6,392
	Accounts receivable and unbilled gas .....	90,575	78,505
	Inventories (Note 2) .....	38,720	37,317
	Prepayments, advances and deposits .....	3,120	4,438
	Total current assets .....	147,324	126,652
Investments, at cost less amounts written off (Note 3) .....		12,636	23,621
Properties, plant and equipment (Note 4) .....		735,429	714,207
Deferred charges (Note 5) .....		18,760	15,454
Intangible assets arising from acquisitions, at cost .....		35,820	35,820

Approved by the Board,

  
Director

  
Director

\$949,969

\$915,754

## Liabilities

	1976	1975
<b>Current liabilities</b>		
Accounts payable .....	\$ 84,655	\$ 75,968
Accrued interest .....	10,234	6,702
Income and other taxes .....	3,000	9,974
Current maturities — long-term debt .....	21,269	13,808
— term bank credits .....	500	11,300
Current liabilities, excluding demand bank credits .....	119,658	117,752
Demand bank credits (Note 6) .....	58,635	69,500
Total current liabilities .....	178,293	187,252
<b>Term bank credits</b> (Note 6) .....	750	112,942
<b>Long-term debt</b> (Note 7) .....	445,896	314,747
Total liabilities .....	624,939	614,941
<b>Deferred income taxes</b> .....	42,493	42,155
<b>Minority interests in subsidiaries</b> .....	37,086	34,928

## Shareholders' Equity

### Capital stock (Note 8)

Authorized		
1,300,000	First preference shares \$25 each par value, issuable in series	
4,000,000	Junior preference shares \$25 each par value, issuable in series	
50,000,000	Common shares without par value	
Issued		
3,383	First preference shares	
	\$1.06 cumulative, series A (3,658 in 1975) .....	85 92
1,122,507	\$1.50 cumulative convertible, series B (1,209,417 in 1975)	28,063 30,236
	Junior preference shares	
1,445,219	\$1.50 cumulative convertible, first series	
	(1,500,000 in 1975) .....	36,130 37,500
19,645,718	Common shares (19,424,248 in 1975) .....	94,042 90,927
<b>Retained earnings</b> (Note 12) .....		87,131 64,975
Total shareholders' equity .....		245,451 223,730
		<u>\$949,969</u> <u>\$915,754</u>



# Consolidated Statement of Income

Years ended December 31, 1976 and 1975

(thousands of dollars)

		1976	1975 (Restated Note 10)
<b>Sales and other revenues</b>	Oil and gas .....	\$134,265	\$120,590
	Coal .....	46,275	36,731
	Natural gas distribution .....	447,357	321,352
		<u>627,897</u>	<u>478,673</u>
<b>Costs and expenses</b>	Gas purchases .....	350,778	234,701
	Production, operations and maintenance .....	136,031	114,219
	Depreciation and depletion .....	39,790	34,527
	Interest — long-term debt .....	34,361	28,094
	— other .....	11,894	11,925
	Income taxes — current .....	13,753	16,057
	— deferred .....	995	3,187
	Minority interests in subsidiaries .....	3,499	2,984
		<u>591,101</u>	<u>445,694</u>
<b>Income before extraordinary items</b> .....		36,796	32,979
<b>Extraordinary items</b> (Note 9) .....		<u>3,081</u>	<u>( 6,046)</u>
<b>Consolidated net income</b> .....		39,877	26,933
	Dividends on preference shares .....	<u>3,969</u>	<u>4,108</u>
<b>Net income applicable to common shares</b>			
	Including extraordinary items .....	<u>\$ 35,908</u>	<u>\$ 22,825</u>
	Before extraordinary items .....	<u>\$ 32,827</u>	<u>\$ 28,871</u>
<b>Earnings per common share</b>			
	Including extraordinary items .....	\$1.84	\$1.18
	Before extraordinary items .....	\$1.68	\$1.49
<b>Fully diluted earnings per common share</b>			
	Including extraordinary items .....	\$1.63	\$1.10
	Before extraordinary items .....	\$1.50	\$1.34

# Consolidated Statement of Retained Earnings

Years ended December 31, 1976 and 1975

(thousands of dollars)

	1976	1975
<b>Balance at beginning of year</b>		
As previously reported .....	\$66,359	\$56,676
Adjustment to prior years' income taxes .....	( 955)	( 955)
Adjustment of sales and other revenues (Note 10) .....	( 429)	
As restated .....	64,975	55,721
Consolidated net income .....	39,877	26,933
	<u>104,852</u>	<u>82,654</u>
<b>Dividends</b>		
Preference shares .....	3,969	4,108
Common shares, including those paid by predecessor companies ..	13,305	12,193
Reorganization costs (net of deferred income taxes of \$446) .....		1,453
Other .....	447	( 75)
	<u>17,721</u>	<u>17,679</u>
<b>Balance at end of year .....</b>	<u><u>\$87,131</u></u>	<u><u>\$64,975</u></u>

## Auditors' Report

To the Shareholders of  
Norcen Energy Resources Limited

We have examined the consolidated balance sheet of Norcen Energy Resources Limited as at December 31, 1976 and 1975 and the consolidated statements of income, retained earnings and changes in financial position for the years then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1976 and 1975 and the results of their operations and the changes in their financial position for the years then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Canada  
February 18, 1977

*Thorne Riddell & Co.*  
Chartered Accountants



# Consolidated Statement of Changes in Financial Position

Years ended December 31, 1976 and 1975

(thousands of dollars)

		1976	1975 (Restated Note 10)
<b>Source of funds</b>	From operations — oil and gas .....	\$ 44,032	\$ 42,038
	— coal .....	8,412	6,725
	— natural gas distribution .....	31,471	26,677
		<u>83,915</u>	<u>75,440</u>
	Proceeds from disposal of investment in British Columbia Oil Lands Ltd. ....	6,301	
	Proceeds from disposal of shares of Western Propane, Inc. net of working capital of \$578 .....	3,164	
	Increase in demand bank credits .....		31,897
	Issue of long-term debt .....	158,144	29,720
	Proceeds from litigation on Coleman .....		6,202
	Reclassification of current income taxes to deferred .....		1,055
		<u>251,524</u>	<u>144,314</u>
<b>Application of funds</b>	Expenditures on properties, plant and equipment, net		
	— oil and gas .....	22,788	29,554
	— coal .....	6,235	13,725
	— natural gas distribution .....	24,217	35,603
		<u>53,240</u>	<u>78,882</u>
	Acquisition of Great Plains including its working capital deficiency of \$1,122 .....		97,555
	Term bank credits .....		93,000
			<u>4,555</u>
	Reduction in demand bank credits, net .....	10,865	
	Reduction in term bank credits, net .....	112,192	10,118
	Retirement of long-term debt .....	26,763	22,392
	Dividends — common shares .....	13,305	12,193
	— preference shares .....	3,969	4,108
	— minority shareholders of subsidiaries .....	2,215	2,247
	Redemption of preference shares .....	553	835
	Reorganization costs .....		1,899
	Investments .....	2,072	1,223
	Deferred charges .....	6,694	1,843
	Other, net .....	890	( 30)
		<u>179,518</u>	<u>56,828</u>
		<u>232,758</u>	<u>140,265</u>
<b>Increase in funds</b> .....		18,766	4,049
<b>Funds at beginning of year</b> .....		8,900	4,851
<b>Funds at end of year</b> .....		<u>\$ 27,666</u>	<u>\$ 8,900</u>
<b>Summary of funds</b>	Current assets .....	\$147,324	\$126,652
	Current liabilities, excluding demand bank credits (Note 6) .....	119,658	117,752
	Funds at end of year .....	<u>\$ 27,666</u>	<u>\$ 8,900</u>

# Notes to Consolidated Financial Statements

Years ended December 31, 1976 and 1975

(tabular amounts are in thousands of dollars)

**1. Accounting policies** — The information on pages 14 and 15 presents a summary of the principal accounting policies and is an integral part of these statements.

## 2. Inventories

	1976	1975
Materials and supplies .....	\$ 9,819	\$14,678
Gas in storage .....	13,985	9,901
Coal and coke .....	14,916	12,738
	<u>\$38,720</u>	<u>\$37,317</u>

Gas in storage is carried at cost which includes transportation and storage. Materials and supplies and coal are carried at the lower of cost, replacement cost, and net realizable value.

## 3. Investments

	1976	1975
Canadian Arctic Gas Study Limited — 1/15 participation (Note 13) ..	\$ 6,295	\$ 4,235
Elf Oil Exploration and Production Canada Ltd. — 10% share interest .....		10,727
Panarctic Oils Ltd. — 0.8% share interest .....	1,643	1,473
British Columbia Oil Lands Ltd. — 35% share interest .....		2,009
Mortgages receivable .....	3,760	3,664
Other .....	938	1,513
	<u>\$12,636</u>	<u>\$23,621</u>

During 1976 Norcen's 10% share interest in Elf was surrendered for cancellation and at the same time natural resource properties were acquired from Elf. For financial statement purposes these transactions have been treated as an exchange and, accordingly, the natural resource properties have been assigned the same carrying value as the share investment, namely \$10,727,000.

## 4. Properties, plant and equipment

	1976		1975	
	Cost	Accumulated depreciation and depletion	Net	Net
<b>Oil and gas</b>				
Properties .....	\$278,108	\$ 69,582	\$208,526	\$195,416
Production equipment .....	52,738	19,654	33,084	30,160
Pipelines and processing plants .....	29,629	22,466	7,163	7,712
Propane marketing equipment .....	16,414	5,823	10,591	13,777
	<u>376,889</u>	<u>117,525</u>	<u>259,364</u>	<u>247,065</u>
<b>Coal</b>				
Properties .....	38,912	13,299	25,613	25,445
Production equipment .....	22,351	9,154	13,197	14,881
	<u>61,263</u>	<u>22,453</u>	<u>38,810</u>	<u>40,326</u>
<b>Natural gas distribution</b>				
Gas storage .....	32,205	3,786	28,419	27,375
Gas distribution .....	408,605	57,653	350,952	342,176
Rental equipment .....	41,797	15,927	25,870	28,487
General and other plant .....	45,978	13,964	32,014	28,778
	<u>528,585</u>	<u>91,330</u>	<u>437,255</u>	<u>426,816</u>
	<u>\$966,737</u>	<u>\$231,308</u>	<u>\$735,429</u>	<u>\$714,207</u>



5. Deferred charges

	Basis or period of amortization	1976	1975
Natural resources			
Long-term debt issue expense .....	†	\$ 2,850	\$ 128
Other .....		642	1,484
		<u>3,492</u>	<u>1,612</u>
Natural gas distribution			
Long-term debt issue expense .....	†	6,980	7,122
Contribution to customers for conversion to natural gas .....	5-20 years	668	928
Special gas costs .....	5-20 years	5,084	3,298
Extraordinary plant retirements .....	10 years	779	907
Special rental appliance expense .....	13½ years	477	560
Other .....		1,280	1,027
		<u>15,268</u>	<u>13,842</u>
		<u>\$18,760</u>	<u>\$15,454</u>

† amortized over term of applicable issue.

6. Obligations under bank lines of credit

Under currently established bank lines of credit (\$109,000,000 at December 31, 1976) the following obligations were outstanding:

	Average % rate of interest at December 31, 1976	1976	1975
Demand bank credits			
Commercial paper .....	8⅞	\$21,600	\$ 23,550
Income debentures .....	5	8,000	20,000
Bank loans — unsecured .....	9¼	20,030	20,425
— secured by accounts receivable .....	9¼	9,005	5,525
		<u>\$58,635</u>	<u>\$ 69,500</u>
Term bank credits			
Norcen — production bank loans .....			\$ 29,492
— other term bank loans .....			43,000
— bankers' acceptances .....			50,000
Other .....	10	\$ 1,250	1,750
		<u>1,250</u>	<u>124,242</u>
Less due within one year .....		500	11,300
		<u>\$ 750</u>	<u>\$112,942</u>

While demand bank credits are by their terms due within one year and therefore classified as current liabilities, the companies have in the past retired, and anticipate in the future, retiring such obligations through the issue of long-term capital.

## 7. Long-term debt

	Due within one year	1976	1975
Oil and gas			
5 $\frac{7}{8}$ % - 6 $\frac{1}{2}$ % first mortgage bonds, 1976 - 1980 .....	\$ 1,327	\$ 4,642	\$ 6,279
9 $\frac{3}{4}$ % - 11 $\frac{1}{4}$ % secured debentures, 1983 - 1996 .....		55,000	
10 $\frac{1}{4}$ % - 11 $\frac{1}{4}$ % secured notes, 1988 .....	6,294	78,710	
Notes and purchase agreements .....	63	2,781	3,008
Convertible notes .....		2,037	2,364
	<u>7,684</u>	<u>143,170</u>	<u>11,651</u>
Coal			
12% debentures, 1981 .....		660	660
7 $\frac{1}{2}$ % mortgage loans, 1981 .....	250	1,227	1,477
Equipment notes .....	898	5,475	6,201
	<u>1,148</u>	<u>7,362</u>	<u>8,338</u>
Natural gas distribution			
5 $\frac{1}{2}$ % - 11 $\frac{3}{8}$ % first mortgage bonds, 1978 - 1995 .....	10,561	195,604	180,530
6% general mortgage bonds, 1988 - 1989 .....	375	9,508	9,883
9 $\frac{5}{8}$ % senior debentures, 1991 .....		46,895	50,000
6% subordinated notes, 1987 .....	394	6,935	6,959
5 $\frac{1}{2}$ % - 11 $\frac{1}{4}$ % debentures, 1979 - 1991 .....	1,427	58,011	61,572
	<u>12,757</u>	<u>316,953</u>	<u>308,944</u>
	<u>\$21,589</u>	<u>467,485</u>	<u>328,933</u>
Deduct			
Long-term debt held for sinking fund purposes .....		320	378
Current maturities on long-term debt .....		21,269	13,808
		<u>21,589</u>	<u>14,186</u>
		<u>\$445,896</u>	<u>\$314,747</u>

Securities issued in U.S. funds are included above at their Canadian dollar equivalent at respective dates of issue. Translation of such issues at rates of exchange prevailing at year end would result in a reduction of long-term debt of \$402,000 at December 31, 1976 and \$2,312,000 at December 31, 1975.

Convertible notes are payable to officers and employees, bear interest at bank prime lending rate plus  $\frac{1}{2}$  of 1% and are convertible into common shares from time to time to July 31, 1979 at a price of \$12.32 per share.

Long-term debt maturities and sinking fund requirements for each of the four years subsequent to 1977 are as follows:

1978.....	\$28,594,000	1980.....	\$28,449,000
1979.....	\$27,872,000	1981.....	\$28,878,000

## 8. Capital stock

### Preference shares

First preference shares, series A, (redeemable at Norcen's option at \$27.50 per share) have voting rights. First preference shares, series B (redeemable at Norcen's option at \$26.50 per share) have voting rights and are convertible into 2,020,512 common shares to August 15, 1977. Junior preference shares (redeemable at Norcen's option at \$26.25) have voting rights and are convertible into 2,491,760 common shares to June 30, 1977, and thereafter into 2,258,155 common shares to June 30, 1982.



During the year the Company purchased for redemption 275 first preference shares series A and 21,825 series B; 65,085 first preference shares series B and 54,781 junior preference shares were converted to common shares.

#### Common shares

During the year, common shares were issued as follows:

211,602	on the conversion of first preference shares and junior preference shares
9,761	on the conversion of convertible notes
107	on the exercise of incentive stock options
<u>221,470</u>	

Unissued common shares are reserved as follows:

4,512,272	for the conversion of convertible preference shares
1,981	for the exercise of warrants at \$15.00 per common share and expiring in 1978
799,325	for the exercise of warrants at \$14.00 per share and expiring in 1977
671,700	for incentive stock option plans, of which options on 21,700 shares were outstanding at December 31, 1976, exercisable at prices from \$12.86 to \$14.64 and expiring in 1977
165,230	for the conversion of convertible notes (Note 7)
<u>6,150,508</u>	

## 9. Extraordinary items

	1976	1975
Gain on sale of shares of subsidiaries and other companies . . . . .	\$ 3,887	
Write-down of investment . . . . .	( 321)	\$ (6,667)
Abandonment of gas distribution facilities . . . . .	( 485)	
Reduction of a subsidiary's income taxes resulting from application of prior years' losses . . . . .		621
	<u>\$ 3,081</u>	<u>\$ (6,046)</u>

The above amounts are net of income taxes and minority interests.

## 10. Regulation

Natural gas distribution rates and revenues are established following public hearings before the respective provincial and federal regulatory authorities. From time to time, the authorities grant the companies provisional interim rate increases which may be subject to refund to customers depending upon the decision of the authority following a full public hearing.

In early 1977 the Ontario utility was ordered to refund to its customers 2.48¢ per Mcf for all volumes sold during the period November 8, 1975 to January 12, 1977, together with interest thereon, and to reduce its rates by 2.48¢ per Mcf effective January 13, 1977. Provisions for refund have been made in these financial statements of \$429,000 in respect of 1975 and \$2,959,000 in respect of 1976. The Ontario utility intends to apply as soon as possible for a full rate hearing, based on 1976 figures, to increase its rates.

## 11. Anti-inflation legislation

The Company and its subsidiaries, with the exception of Gaz Métropolitain, are subject to the federal Anti-Inflation Act which provides for the restraint of increases in profit margins, prices, dividends and compensation.

Oil and gas production and natural gas distribution are exempt from the provisions of the Act relating to profit margins and prices since they are regulated by other government legislation. Gaz Métropolitain is subject to the provisions of the Quebec Anti-Inflation Act concerning profits, prices, dividends and compensation.

**12. Dividend restrictions** The indentures and agreements relating to the Company's long-term debt obligations do not limit the payment of dividends by the Company.

Limits on the payment of dividends by subsidiaries (primarily the natural gas distribution subsidiaries) are contained in covenants in the indentures of such subsidiaries.

The Company and its subsidiaries are subject to the anti-inflation legislation (see Note 11) which, among other things, controls the level of dividends. Under the present legislation, the maximum dividend per common share which can be declared or paid during the year ended October 13, 1977 is 73¢.

**13. Commitment to Canadian Arctic Gas Pipeline Limited**

On April 30, 1976 N & C and two of its subsidiaries indicated their intention, subject to their ability to raise adequate funds on satisfactory terms and conditions, to invest up to \$68,000,000 in Canadian Arctic Gas Pipeline Limited which plans to construct a pipeline to transport Canadian and Alaskan natural gas to markets in Canada and the United States. The investment is conditional upon necessary government approval for the project, financing arrangements satisfactory to N & C and its subsidiaries, a commitment satisfactory to N & C and its subsidiaries for a supply of gas from the Mackenzie Delta and approval from regulatory authorities for inclusion of the investment for rate purposes.

**14. Other information**

Unfunded liabilities for past service pension benefits amounted to approximately \$2,229,000 at December 31, 1976 and are being funded and expensed over a maximum period of 15 years. Remuneration of directors and senior officers in 1976 was \$1,058,000 (\$1,505,000 in 1975 including predecessor companies).

**15. Selected quarterly financial data (unaudited)**

	Three Months Ended			
	Mar. 31	June 30	Sept. 30	Dec. 31
Sales and other revenues*	\$189,885	\$133,794	\$115,051	\$191,242
Refund adjustment	( 829)	( 674)	( 572)	
Restated	189,056	133,120	114,479	191,242
Costs and expenses*	170,468	129,128	115,234	177,233
Deferred gas costs		( 377)	( 585)	
Restated	170,468	128,751	114,649	177,233
Net income applicable to common shares before extraordinary items*	18,400	3,672	( 1,171)	13,039
Refund adjustment	( 829)	( 674)	( 572)	
Deferred gas costs		377	585	
Restated	\$ 17,571	\$ 3,375	\$ ( 1,158)	\$ 13,039
Net income per common share before extraordinary items*	\$ 0.95	\$ 0.18	\$ ( 0.06)	\$ 0.67
Refund adjustment	( 0.05)	( 0.03)	( 0.03)	
Deferred gas costs		0.02	0.03	
Restated	\$ 0.90	\$ 0.17	\$ ( 0.06)	\$ 0.67

\*as previously reported.

In early 1977 the Company's Ontario utility was ordered to refund to its customers 2.48¢ per Mcf for all volumes of gas sold during the period November 8, 1975 to January 12, 1977. Reference is made to Note 10. By an agreement entered into in early 1977 with its gas supplier, the Company's Quebec utility applied certain 1976 charges against the future delivery of gas. The first three quarters of 1976 have been adjusted, where applicable, to reflect these items.

The Company's natural gas distribution operations are seasonal in nature.



# Comparative Financial Data 1972-1976

(thousands of dollars, except per share figures)

	1976	1975	1974	1973	1972
<b>Revenues</b>					
Oil and gas .....	\$134,265	\$120,590	\$ 80,876	\$ 58,964	\$ 47,432
Coal .....	46,275	36,731	24,090	15,395	12,775
Natural gas utilities .....	447,357	321,352	239,074	188,591	170,557
	<u>627,897</u>	<u>478,673</u>	<u>344,040</u>	<u>262,950</u>	<u>230,764</u>
<b>Costs and expenses</b>					
Gas purchases, production and operations .....	486,809	348,920	243,022	183,719	161,195
Depreciation and depletion ....	39,790	34,527	25,712	23,181	20,010
Interest .....	46,255	40,019	29,225	26,781	24,745
Income taxes .....	14,748	19,244	13,936	6,869	5,776
Minority interests .....	3,499	2,984	3,527	2,327	2,138
	<u>591,101</u>	<u>445,694</u>	<u>315,422</u>	<u>242,877</u>	<u>213,864</u>
<b>Income before extraordinary items</b>					
Oil and gas .....	24,189	21,512	13,067	10,226	6,541
Coal .....	362	1,175	1,493	( 237)	( 371)
Natural gas utilities .....	12,245	10,292	14,058	10,084	10,730
	<u>36,796</u>	<u>32,979</u>	<u>28,618</u>	<u>20,073</u>	<u>16,900</u>
Extraordinary items (net) .....	3,081	(6,046)	(1,283)		
<b>Consolidated net income</b>	<u>\$ 39,877</u>	<u>\$ 26,933</u>	<u>\$ 27,335</u>	<u>\$ 20,073</u>	<u>\$ 16,900</u>
<b>Dividends on preference shares</b> .....	\$ 3,969	\$ 4,108	\$ 4,161	\$ 4,207	\$ 3,160
<b>Net income applicable to common shares</b>					
Before extraordinary items .....	\$ 32,827	\$ 28,871	\$ 24,457	\$ 15,866	\$ 13,740
Including extraordinary items ...	\$ 35,908	\$ 22,825	\$ 23,174	\$ 15,866	\$ 13,740
<b>Weighted average number of common shares</b> (000's) .....	19,554	19,397	19,391	19,276	19,060
<b>Earnings per common share</b>					
Before extraordinary items .....	\$1.68	\$1.49	\$1.26	\$0.82	\$0.72
Including extraordinary items ...	\$1.84	\$1.18	\$1.19	\$0.82	\$0.72
<b>Fully diluted earnings per common share</b>					
Before extraordinary items .....	\$1.50	\$1.34	\$1.17	\$0.82	\$0.72
Including extraordinary items ...	\$1.63	\$1.10	\$1.11	\$0.82	\$0.72
<b>Quarterly earnings per share before extraordinary items</b>					
First quarter .....	\$0.90	\$0.70			
Second quarter .....	0.17	0.14			
Third quarter .....	(0.06)	0.07			
Fourth quarter .....	<u>0.67</u>	<u>0.58</u>			
Year ended December 31 .....	<u>\$1.68</u>	<u>\$1.49</u>			

Oil and gas	1976	1975	1974	1973	1972
Production					
Crude oil, synthetic crude oil and gas liquids — barrels/day .....	23,293	25,799	17,143	16,671	11,622
Natural gas — Mmcf/day .....	166	177	134	128	99
Sulphur — long tons .....	15,100	23,300	19,305	17,834	14,680
Gas gathering and transmission sales — Mmcf/day .....	76	92	143	146	139
Oil gathering and transmission throughput — barrels/day .....	83,000	81,400	98,500	110,800	113,400
Liquefied petroleum gas sales — imperial gallons .... (000's)	123,100	110,400	94,800	95,900	88,400
Reserves					
Oil and gas liquids — barrels (000's) .....	118,161	130,655	81,298	79,159	70,216
Natural gas — Mmcf .....	1,075,365	1,152,830	746,910	773,528	582,200
Sulphur — long tons .....	519,565	543,643	305,700	252,000	227,000
Oil and gas land holdings					
— gross acres .... (000's)	29,128	31,590	30,038	23,381	20,066
— net acres .... (000's)	10,504	11,873	12,345	11,984	10,966
Natural gas utilities					
Gas sales — Mmcf					
Industrial, firm .....	106,613	104,922	102,644	90,805	84,888
Industrial, interruptible .....	52,001	43,353	45,554	48,171	41,254
Commercial .....	42,148	43,133	42,200	33,847	33,623
Residential .....	52,526	49,619	49,242	45,359	48,499
	<u>253,288</u>	<u>241,027</u>	<u>239,640</u>	<u>218,182</u>	<u>208,264</u>
Customers at year end .....	424,621	422,780	419,280	406,835	403,544
Coal					
Production — short clean tons .....	1,053,000	854,000	880,000	879,000	816,000

## Market prices

	Common shares		First preference shares, series A		First preference shares, series B		Junior preference shares, first series	
	High	Low	High	Low	High	Low	High	Low
1975	\$10 <sup>3</sup> / <sub>8</sub>	\$8 <sup>3</sup> / <sub>4</sub>	\$25	\$25	\$18 <sup>7</sup> / <sub>8</sub>	\$15 <sup>5</sup> / <sub>8</sub>	\$18 <sup>7</sup> / <sub>8</sub>	\$15 <sup>5</sup> / <sub>8</sub>
1976	\$13 <sup>7</sup> / <sub>8</sub>	\$9 <sup>3</sup> / <sub>4</sub>	\$25	\$24 <sup>1</sup> / <sub>2</sub>	\$24 <sup>3</sup> / <sub>8</sub>	\$18 <sup>1</sup> / <sub>2</sub>	\$23 <sup>3</sup> / <sub>4</sub>	\$18 <sup>1</sup> / <sub>2</sub>

## Dividends

1975 and 1976				
Annual	\$0.68	\$1.06	\$1.50	\$1.50
Quarterly	\$0.17	\$0.265	\$0.375	\$0.375

The quarterly dividend payable March 1, 1977 has been declared at \$0.18 per common share, equivalent to an annual rate of \$0.72.



# Comparative Earnings Analysis

## Natural Resources — Oil and Gas

(thousands of dollars)

1976

	Oil and gas production	Oil gathering and transmission	Industrial gas system	Liquefied petroleum gas	Other	Total
Sales and other revenues .....	\$85,227	\$4,973	\$5,720	\$37,341	\$1,004	\$134,265
Cost of gas .....			2,622	26,490		29,112
Operating expenses .....	14,629	1,190	948	7,433		24,200
Depreciation and depletion .....	17,238	399	378	1,165		19,180
	<u>31,867</u>	<u>1,589</u>	<u>3,948</u>	<u>35,088</u>		<u>72,492</u>
Operating income .....	<u>\$53,360</u>	<u>\$3,384</u>	<u>\$1,772</u>	<u>\$ 2,253</u>	<u>\$1,004</u>	<u>61,773</u>
Administrative expenses (1) .....						7,711
Interest (2) .....						15,415
Income taxes — current .....						13,151
— deferred .....						889
Minority interests .....						418
						<u>37,584</u>
Contribution to income .....						<u>\$24,189</u>

## Natural Gas Utilities

(thousands of dollars)

1976

	Ontario	Quebec	Manitoba	Other	Total
Gas sales .....	\$177,078	\$155,075	\$72,759	\$9,350	\$414,262
Other revenues .....	4,701	26,137 (3)	2,257		33,095
	<u>181,779</u>	<u>181,212</u>	<u>75,016</u>	<u>9,350</u>	<u>447,357</u>
Cost of gas .....	150,957	108,908	54,699	7,102	321,666
Operating and administrative expenses .	13,032	42,444 (4)	11,545	1,081	68,102
Depreciation .....	4,368	5,908	2,798	232	13,306
Income taxes .....	40		456	106	602
	<u>168,397</u>	<u>157,260</u>	<u>69,498</u>	<u>8,521</u>	<u>430,676</u>
Operating income .....	13,382	23,952	5,518	829	43,681
Interest (2) .....	10,898	13,127	4,063	357	28,445
Minority interests .....	386	2,601	4		2,991
Contribution to income .....	<u>\$ 2,098</u>	<u>\$ 8,224</u>	<u>\$ 1,451</u>	<u>\$ 472</u>	<u>\$ 12,245</u>
Properties, plant and equipment, net, at year end .....	\$143,670	\$213,141	\$72,345	\$8,099	\$437,255
Operating income as a percentage of properties, plant and equipment at year end .....	9.3%	11.2%	7.6%	10.2%	10.0%
Gas sales volumes (Mmcf) .....	119,326	78,431	48,215	7,316	253,288
Degree day deficiencies — actual .....	5,796	4,925	5,915		
— normal .....	5,448	4,454	5,960		

## 1975

Oil and gas production	Oil gathering and transmission	Industrial gas system	Liquefied petroleum gas	Other	Total
\$73,083	\$4,516	\$6,297	\$36,023	\$671	\$120,590
		2,802	23,763		26,565
12,592	924	726	5,790		20,032
16,024	399	371	1,247		18,041
28,616	1,323	3,899	30,800		64,638
\$44,467	\$3,193	\$2,398	\$ 5,223	\$671	55,952
					6,047
					11,202
					14,845
					2,188
					158
					34,440
					\$21,512

## 1975

Ontario	Quebec	Manitoba	Other	Total
\$114,768	\$115,493	\$53,873	\$7,279	\$291,413
4,405	23,156 (3)	2,378		29,939
119,173	138,649	56,251	7,279	321,352
90,390	76,019	36,690	5,037	208,136
12,320 (1)	36,646 (4)	10,042	944	59,952
3,798	5,677	2,614	221	12,310
10		974	228	1,212
106,518	118,342	50,320	6,430	281,610
12,655	20,307	5,931	849	39,742
11,331	11,769	3,454	343	26,897
413	2,133	7		2,553
\$ 911	\$ 6,405	\$ 2,470	\$ 506	\$ 10,292
\$142,678	\$204,318	\$71,854	\$7,966	\$426,816
8.9%	9.9%	8.3%	10.7%	9.3%
106,679	80,721	47,389	6,238	241,027
5,303	4,459	5,785		
5,448	4,454	5,960		

## NOTES:

1. Prior to the creation of Norcen on October 28, 1975, executive office expenses, to the extent that they were not charged out to operating subsidiaries, were charged to the then parent company, Northern and Central Gas and are included under the heading "Natural Gas Utilities — Ontario"; since October 28, 1975, such costs have been charged to the present parent company, Norcen, and are included under the heading "Natural Resources — Oil and Gas, Administrative Expenses".
2. As part of the corporate reorganization on October 28, 1975, there was created a \$82,960,000 7.6% promissory note payable by Norcen to Northern and Central Gas (of this amount \$35,660,000 was repaid during 1976). Interest on the note amounting to \$4,992,000 in 1976 (\$1,122,000 in 1975) is not included in the above financial information in order to retain comparability with prior years. Interest expense shown for "Natural Gas Utilities — Ontario" includes interest on all debt obligations of Northern and Central Gas after deducting interest income received on debt obligations of gas distribution subsidiaries in Quebec and Manitoba.
3. Includes coke operations' revenues of \$22,278,000 in 1976 (\$19,280,000 in 1975).
4. Includes coke operations' expense of \$20,426,000 in 1976 (\$18,214,000 in 1975).



**Natural Resources — Oil and gas production revenues**

(thousands of dollars)

	1976	1975
Crude oil .....	\$42,469	\$40,138
Natural gas liquids .....	6,328	5,654
Natural gas .....	36,226	26,893
Sulphur .....	204	398
	<u>\$85,227</u>	<u>\$73,083</u>

**Natural Resources — Coal**

(thousands of dollars)

	1976	1975
Sales revenues .....	\$46,275	\$36,731
Freight and terminal charges .....	10,576	7,760
	<u>35,699</u>	<u>28,971</u>
Operating expenses .....	25,442	20,428
Depreciation and amortization .....	7,304	4,176
Interest .....	2,395	1,920
Income taxes .....	106	999
Minority interests .....	90	273
	<u>35,337</u>	<u>27,796</u>
Contribution to income .....	<u>\$ 362</u>	<u>\$ 1,175</u>

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The Dominion Insurance Corporation;  
Gaz Métropolitain, inc.;  
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CAE Industries Limited;  
The Canada Life Assurance Company;  
Carena-Bancorp, Inc.;  
Club de Hockey Canadien, Inc.;  
Gaz Métropolitain, inc.;  
IAC Limited;  
McGraw-Hill Ryerson Limited;  
Quebec Iron and Titanium Corporation;  
Rolland Paper Company, Limited; and  
Trizec Corporation Ltd.

**J. Ian Crookston** *Toronto, Ontario*

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Coleman Collieries Limited;  
Consolidated-Bathurst Limited;  
DomGlas Ltd.;  
Heitman Canadian Realty Investors;  
Investors Growth Fund of Canada Ltd.;  
Investors International Mutual Fund Ltd.;  
Investors Mutual of Canada Ltd.;  
Prairie Oil Royalties Company, Ltd.;  
Trans-Prairie Pipelines, Ltd.; and  
Warnock Hersey International Limited.

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Northern and Central Gas Corporation Limited; and  
TD Realty Investments.

**†Raymond Lavoie** *Montreal, Quebec*

Vice Chairman, President and Chief Executive Officer of Credit Foncier Franco-Canadien.

Director of  
Alliance Mutual Life Insurance Company;  
Associates Acceptance Corporation Limited;  
Bank of Montreal;  
Export Development Corporation;  
Gaz Métropolitain, inc.;  
Genstar Limited;  
John Labatt Limited;  
Librairie Hachette Canada Limitée;  
MICC Investments Limited;  
Marathon Realty Company Limited;  
Marine Industries Limited; and  
Quebec Deposit and Investment Fund.

**A. Searle Leach, O.C.** *Winnipeg, Manitoba*

Chairman, Federal Industries Ltd.

Director of  
Bank of Montreal;  
Carling O'Keefe Limited;  
Consolidated-Bathurst Limited;  
Dominion Tanners Limited;  
Great-West Life Assurance Company;  
Greater Winnipeg Gas Company; and  
Uniroyal Limited.

**†Richey B. Love, Q.C.** *Calgary, Alberta*

Partner with Macleod Dixon, Barristers & Solicitors.

Director of  
Commerce Capital Corporation Limited;  
Commerce Capital Trust Company;  
International Sulphur Co. Ltd.;  
Interprovincial Steel & Pipe Corporation Ltd.;  
Masterloy Products Limited;  
Meagher's Distillery Ltd.; and  
Pacific Western Airlines Ltd.

**Blancke Noyes** *New York, New York*

Director and Senior Vice President, Hornblower & Weeks-Hemphill, Noyes Incorporated.

Director of  
Cascade Natural Gas Corporation;  
Dixilyn Corporation;  
Family Dollar Stores;  
King Kullen Grocery Company; and  
Petrofina Canada, Ltd.

**Linden J. Richards** *Calgary, Alberta*

Oil and Gas Consultant

Director of  
Filtrol Corporation  
Quintana Exploration Co.  
Total Petroleum (North America) Ltd.

**Henry S. Romaine** *New York, New York*

Senior Vice President and Chief Investment Officer, The Mutual Life Insurance Company of New York.

Director of  
The MONY Fund, Inc.;  
MONY Life Insurance Company of Canada;  
MONY Mortgage Investor, and  
North American Life and Casualty Company.

**William I. M. Turner, Jr.**

*Montreal, Quebec*

President and Chief Executive Officer, Consolidated-Bathurst Limited.

Director of  
Bombardier-MLW Limited;  
Canadian Ingersoll-Rand Company Limited;  
Celanese Canada Limited;  
The Investors Group;  
Laurentide Financial Corporation Ltd.;  
Power Corporation of Canada, Limited; and  
J. Henry Schroder Banking Corporation.

**William O. Twaits, C.C.** *Toronto, Ontario*

President, Sarcalto Limited.

Director of  
Abitibi Paper Company Ltd.;  
Alcan Aluminium Limited;  
Ford Motor Co. of Canada, Limited;  
New York Life Insurance Company;  
The Royal Bank of Canada; and  
TRI Limited.

**\*†Adam H. Zimmerman** *Toronto, Ontario*

Executive Vice President and Director of Noranda Mines Limited.

Director of  
Director of many subsidiary and associated companies within the Noranda group;  
British Columbia Forest Products Ltd.  
Celanese Canada Ltd.;  
The Dominion Insurance Corporation;  
Fraser Companies, Limited  
IAC Limited;  
Southam Press Limited; and  
Southam Business Publications Ltd.

\*Member of Executive Committee

†Member of Audit Committee



Edmund C. Bovey	<i>Chairman of the Board</i>
C. Spencer Clark	<i>Vice Chairman</i>
Edward A. Galvin	<i>Vice Chairman</i>
Edward G. Battle	<i>President</i>
Donald D. Barkwell	<i>Vice President, Natural Resources</i>
William C. Hennenfent	<i>Vice President, Planning</i>
William T. Kilbourne	<i>Vice President, Legal &amp; Secretary</i>
Jean-J. Leroux	<i>Vice President, Utilities</i>
Timothy G. Sheeres	<i>Vice President, Finance</i>
Alick S. G. Duguid	<i>Treasurer</i>
Paul H. Palmer	<i>Controller</i>
Russell G. Rennie	<i>Assistant Secretary</i>
Laurence A. Sills	<i>Assistant Secretary</i>
A. Kenneth Davies	<i>Assistant Treasurer</i>
Mart Pedel	<i>Assistant Treasurer</i>

**Executive office**

4600 Toronto-Dominion Centre  
Toronto, Ontario M5K 1E5

**Registered office**

Norcen Tower  
715-5th Avenue S.W.  
Calgary, Alberta T2P 2X7

**London office**

1st Floor, Wellington House  
6/9 Upper St. Martin's Lane  
London, England WC2H9DL

**Cigas Products Ltd.**

Norcen Tower  
715-5th Avenue S.W.  
Calgary, Alberta T2P 2X8

**Coleman Collieries Limited**

Coleman, Alberta T0K 0M0

**Great Plains Development Company of  
Canada, Ltd.****Prairie Oil Royalties Company, Ltd.****Trans-Prairie Pipelines, Ltd.**

Norcen Tower  
715-5th Avenue S.W.  
Calgary, Alberta T2P 2X7

**Northern and Central Gas Corporation  
Limited**

245 Yorkland Boulevard  
Willowdale, Ontario M2J 1R1

**Gaz Métropolitain, inc.**

1155 Dorchester Boulevard  
Montreal, Quebec H3B 3S5

**Greater Winnipeg Gas Company**

265 Notre Dame Avenue  
Winnipeg, Manitoba R3B 1N9

**Listings and Symbols**

Toronto & Montreal Stock Exchanges	
Common Shares	NCN
First Preference A	NCNPrA
First Preference B	NCNPrB
Junior Preference	NCNC
Warrants	NCNWts

**Transfer Agents and Registrars**

COMMON SHARES	
National Trust Company, Limited	
Calgary, Toronto, Montreal,	
Winnipeg & Vancouver	
Canada Permanent Trust Company	
Regina	
Morgan Guaranty Trust Company of	
New York, New York	
PREFERENCE SHARES (All Classes)	
National Trust Company, Limited	
Calgary, Toronto, Montreal,	
Winnipeg & Vancouver	
Canada Permanent Trust Company	
Regina	

**Trustees**

5 $\frac{7}{8}$ % First Mortgage Bonds due	
Feb. 1, 1980	
Canada Permanent Trust Company	
Calgary.	
9 $\frac{3}{4}$ % Secured Debentures due	
April 15, 1983	
Montreal Trust Company	
Toronto.	
10 $\frac{1}{4}$ % Secured Notes due Dec. 31, 1988	
The Royal Trust Company	
Toronto.	
11 $\frac{1}{4}$ % Secured Notes due Dec. 31, 1988	
The Royal Trust Company	
Toronto.	
11 $\frac{1}{4}$ % Secured Debentures due	
Aug. 15, 1996	
National Trust Company, Limited	
Toronto.	

**Auditors**

Thorne Riddell & Co.,  
Chartered Accountants

**Distribution of common shares — December 31, 1976**

	Shareholders		Shares	
	No.	%	No.	%
Alberta .....	2,301	7.7	619,093	3.2
British Columbia .....	3,885	13.0	1,100,673	5.6
Manitoba .....	1,370	4.6	1,496,058	7.6
New Brunswick .....	422	1.4	110,744	.6
Nova Scotia .....	742	2.5	335,500	1.7
Ontario .....	11,690	39.1	7,470,214	38.0
Quebec .....	3,086	10.3	6,783,785	34.5
Saskatchewan .....	651	2.2	132,195	.7
Other Canadian .....	168	.6	38,414	.2
Total Canadian .....	24,315	81.4	18,086,676	92.1
U.S.A. ....	5,356	17.9	1,365,908	6.9
Other .....	217	.7	193,134	1.0
	<u>29,888</u>	<u>100.0</u>	<u>19,645,718</u>	<u>100.0</u>

A copy of the Company's 10-K report as filed with the United States Securities and Exchange Commission will be sent to registered shareholders upon written request to the Company Secretary.

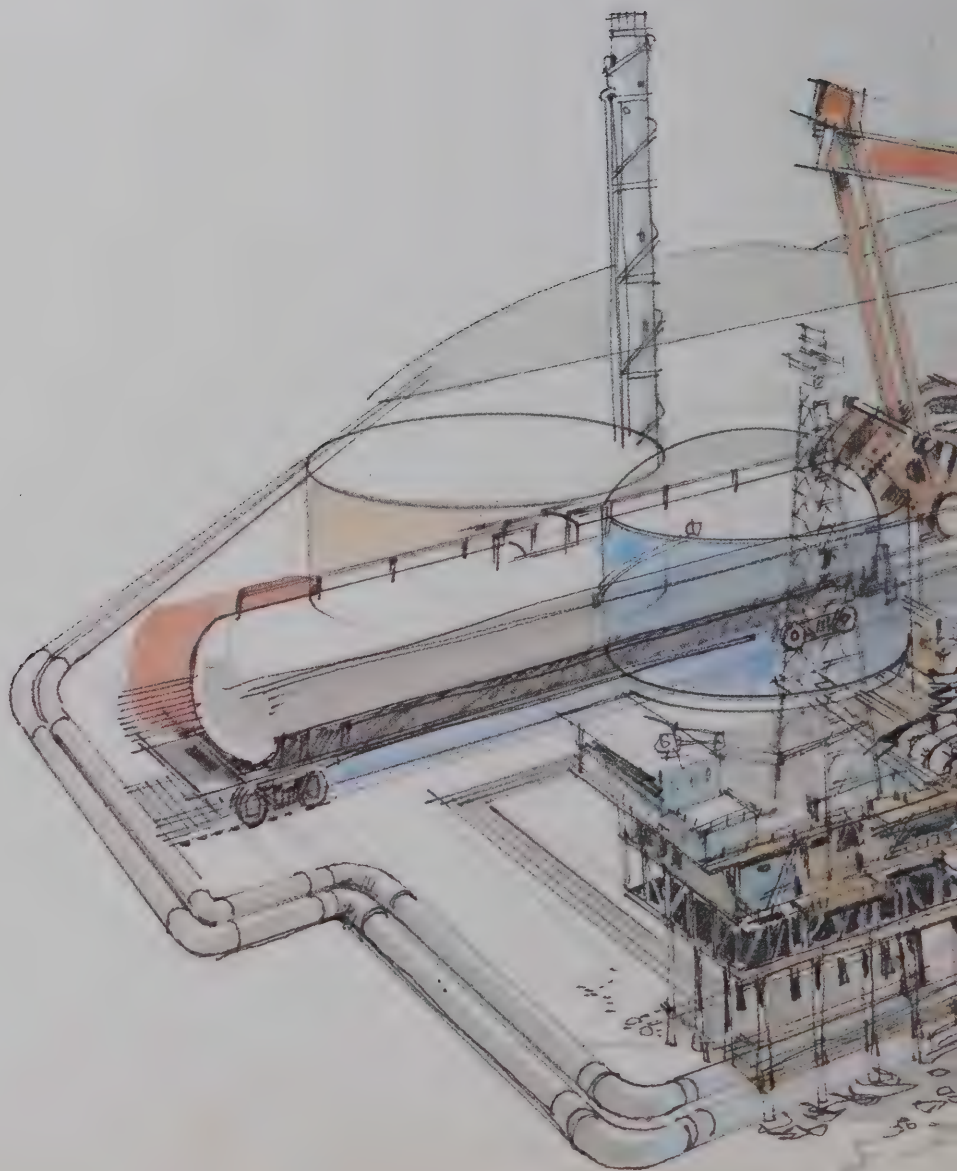






# Norcen

Year ended December 31st 1976



Norcen  
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Norcen

*...Introducing*



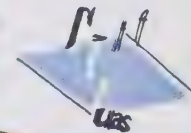
Northern  
Ontario  
Natural Gas  
Company  
Limited.

1200 ST. VICTOR

TWIN CITY GAS COMPANY LIMITED



CANADIAN INDUSTRIAL GAS LIMITED



Abasand Oils Limited

L.C.  
VIC  
HEAD OFFICE

THORNE.

Prairie Oil  
Royalties  
Company,  
Ltd.

HEAD OFFICE 640-07912 P.O.B.

GREATER WINNIPEG GAS COMPANY



Gaz Métropolitain. inc.



TRANS - PRAIRIE PIPELINES, LTD.



COLUMBIA NATURAL GAS LIMITED



Great Plains  
Development Company  
of Canada Ltd.

1000 10TH AVE. W.  
CALGARY, ALTA. T2C 1P5

7570 HEAD OFFICE

COLEMAN  
COLLIERIES  
LIMITED



NORTHERN AND CENTRAL GAS  
CORPORATION LIMITED.

HEAD OFFICE 080-0101 292-7109 P.O. BOX  
1111 10TH AVE. W. CALGARY, ALTA. T2C 1P5

CANADIAN  
INDUSTRIAL  
GAS & OIL LTD.

G.D. BOJARSK  
V.P. PRESIDENT INCHES  
2000 HURONTARIO ST. TORONTO, ONT. M5S 1A5

Norcen  
Energy Resources Limited

JAN 5 1976



**Norcen** Energy Resources Limited is a major, Canadian-owned energy resource company engaged in exploration, production and transmission of oil and gas in Canada, and in the search for hydrocarbons in other areas of the world.

In addition, through subsidiaries, *Norcen* operates gas distribution systems in five Canadian provinces as well as a coal mine in Alberta.

Within the contexts of overall national resources policy and social responsibilities, *Norcen's* basic objective is to serve the interests of its shareholders by providing security and enhancement of capital and a reasonable return on investment.

*Norcen's* management will pursue a policy of continuing development of existing oil, gas and coal reserves, of exploration for new energy resources and of fostering corporate growth through acquisitions and further diversification in energy-related fields.

In dealing with human issues, *Norcen* intends to follow a path of co-operation rather than confrontation and of initiative rather than reaction to social and ecological demands.

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# History

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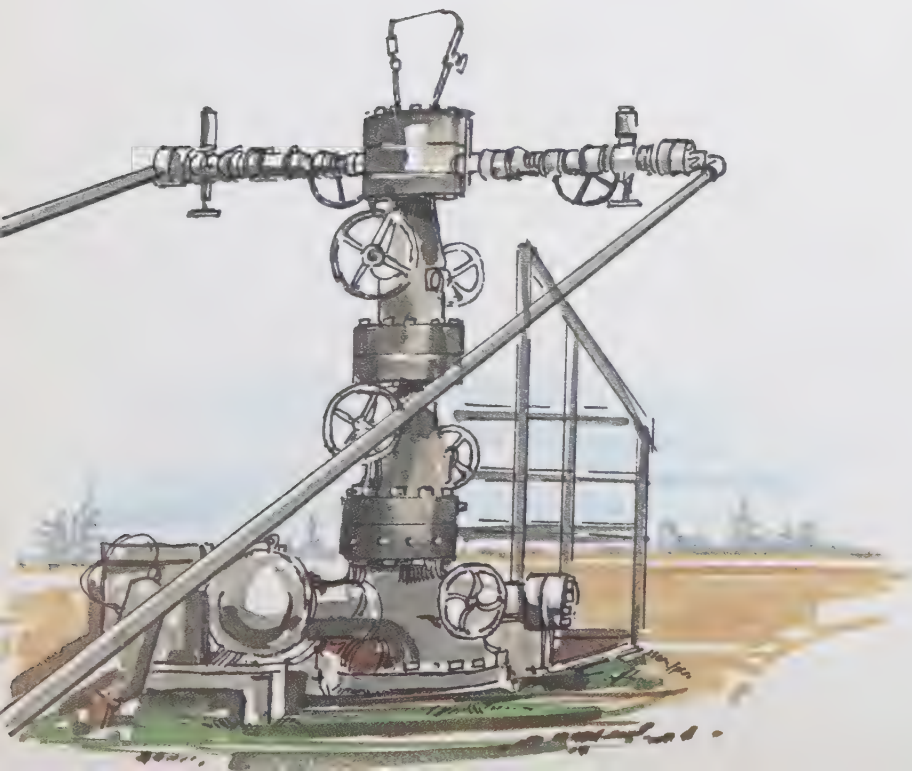
*Norcen Energy Resources Limited* resulted from the corporate reorganization of Northern and Central Gas Corporation Limited (N & C) and its 61% owned subsidiary Canadian Industrial Gas & Oil Limited (CIGOL).

N & C commenced business in 1954 as Northern Ontario Natural Gas Company Limited by constructing and operating natural gas distribution facilities in northern Ontario. Since that time the scope of its gas distribution operations has been greatly expanded, largely through the acquisition of companies engaged in similar businesses, including Twin City Gas Company Limited in 1956, Lakeland Natural Gas Limited and Greater Winnipeg Gas Company in 1965, and Gaz Métropolitain, inc. in 1967. Diversification of operations into oil and gas exploration and production was achieved in 1966 through a successful share exchange offer to the holders of CIGOL common shares. In 1971, further diversification into natural resource production was realized through the acquisition of Coleman Collieries Limited.

CIGOL resulted from the amalgamation in 1965 of six companies engaged in the exploration for, and production and transmission of, oil and natural gas. Its operations have been augmented considerably over the last ten years as a result of active exploration and development programs, as well as through the purchase of assets and equity securities of other com-

panies engaged in similar activities. In 1966, CIGOL acquired all the outstanding shares of Abasand Oils Limited, which owned a royalty interest in the Athabasca tar sands in Alberta. In the same year a controlling interest was obtained in Prairie Oil Royalties Company, Ltd. In 1969, CIGOL made a successful share exchange offer to the shareholders of Trans-Prairie Pipelines, Ltd., which owns and operates oil transmission pipelines and gas distribution facilities in western Canada. In 1975, CIGOL purchased all the outstanding shares of Great Plains Development Company of Canada, Ltd.

As a result of the recently completed reorganization, *Norcen* has emerged as a large independent natural resource company which, with its subsidiaries, embraces diversified operations in various phases of the energy industry.



# Corporate Structure and Ownership

## Norcen Energy Resources Limited

*oil and gas exploration  
and production*

Great Plains Development Company  
of Canada, Ltd. *oil and gas* (100%)

Prairie Oil Royalties Company, Ltd.  
*oil and gas* (74%)

British Columbia Oil Lands Ltd.  
*oil and gas* (35%)

Trans-Prairie Pipelines, Ltd.  
*oil transmission* (99%)

Columbia Natural Gas Limited  
*gas utility* (100%)

Beaver River Utilities Ltd.  
*gas utility* (100%)

Cigas Products Ltd.  
*liquefied petroleum  
gas distribution* (100%)

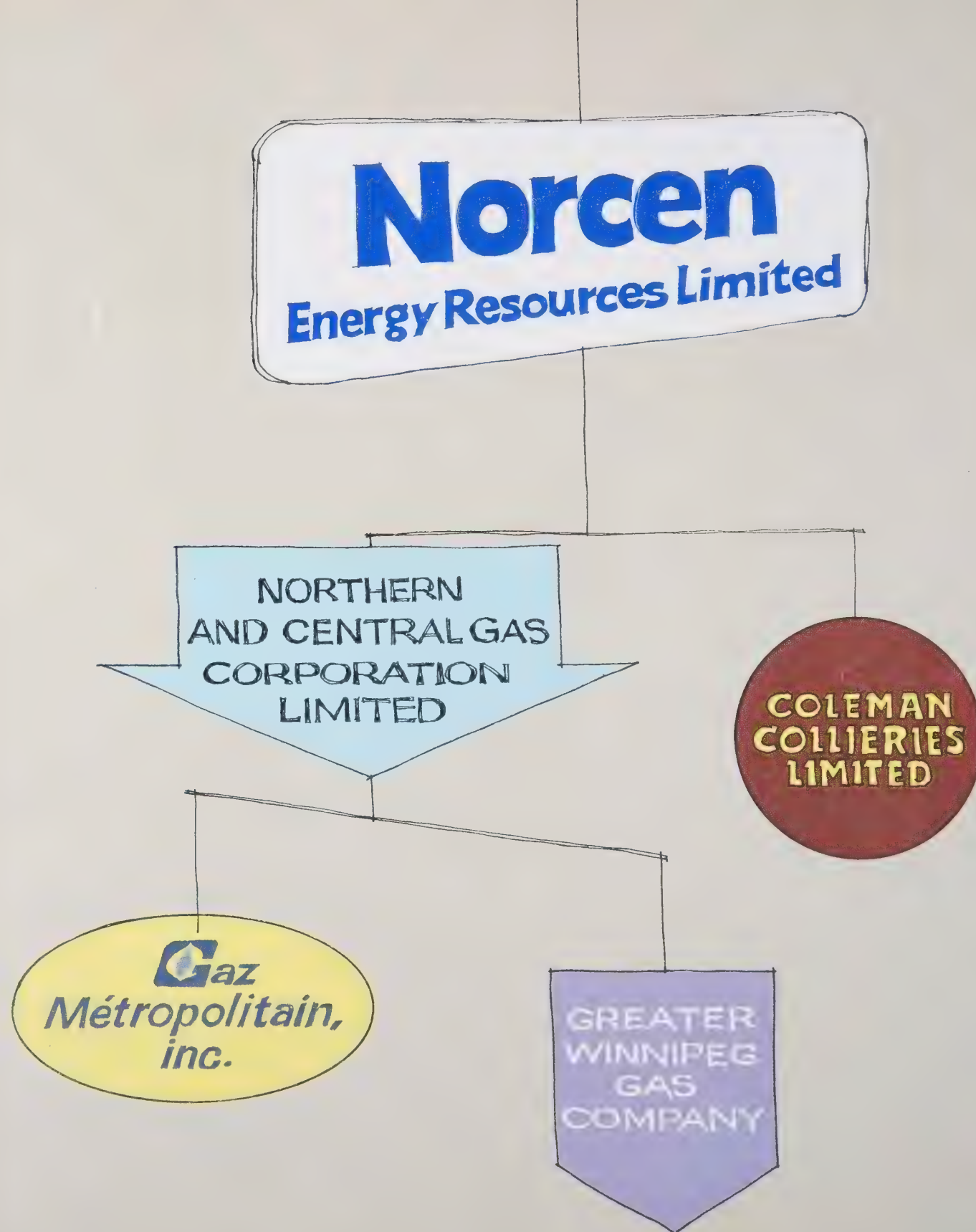
Western Propane Inc.  
*liquefied petroleum  
gas distribution* (100%)

Coleman Collieries Limited  
*coal mining* (81%)

Northern and Central Gas  
Corporation Limited *gas utility* (100%)

Gaz Métropolitain, inc. *gas utility* (82%)

Greater Winnipeg Gas Company  
*gas utility* (99%)





# Corporate reorganization

The formation of *Norcen Energy Resources* was a logical step in the corporate evolution of Northern and Central Gas Corporation (N & C), and Canadian Industrial Gas and Oil (CIGOL), which through acquisitions had grown into a large group of companies, all engaged in energy resource operations.

The rationale for this move was the advantage to be gained by organizing the corporate elements of N & C and CIGOL into a simple and coherent structure which would allow for more effective utilization of the resources of the group and the development of its inherent potential.

The reorganization was effected through a merger of N & C and CIGOL shareholder groups and an exchange of equity securities of both companies for those of *Norcen*. Under the terms of the reorganization, holders of equity securities of N & C exchanged their holdings for equivalent classes of *Norcen* equity securities on a one-for-one basis, and holders of common shares of CIGOL received common shares of *Norcen* on a seven-for-ten basis.

The outstanding non-voting and non-convertible first preference shares and all the issued debt instruments of N & C are not exchangeable into *Norcen* securities. CIGOL's long-term debt has been assumed by *Norcen*.

In its present form, *Norcen* is an operating oil and gas company which, through two subsidiaries, N & C and Coleman Collieries, is also engaged in gas distribution and coal mining respectively.

The reorganization of N & C and CIGOL has resulted in the emergence of *Norcen* as a large and diversified company. The new corporate structure greatly enhances the potential for growth in both assets and earnings.

Among the favourable factors which arise from the reorganization and are expected to contribute to *Norcen's* future development, are:

- The broad equity base of some 40,000 shareholders and an anticipated greater trading activity in shares of the company, which should facilitate future equity and debt financing;
- the ability to marshal and manage cash flow in a flexible and more productive manner by directing it towards potential opportunities and profitable investments;
- diversification should make *Norcen* less vulnerable to cyclical fluctuations which may, from time to time, affect any of the business activities in which the company is involved;
- the combined human resources of N & C and CIGOL have provided *Norcen* with a professional executive team of exceptional depth of management ability and experience in the energy industry;
- the segregation of non-utility operations will facilitate compliance by N & C with regulatory requirements.

All classes of *Norcen's* shares are listed for trading on the Toronto and Montreal Stock Exchanges.





# Natural Resources

## Oil and Gas Production

*Norcen's* current production of crude oil, synthetic crude, natural gas liquids and natural gas (converting natural gas on the basis of eight thousand cubic feet to one barrel) is equivalent to 48,000 barrels per day before deduction of royalties, placing the company among the major producers in Canada.

Daily production of crude oil, synthetic crude and natural gas liquids amounts to 25,000 barrels. Of this production, 88% is from Alberta, 8% from Saskatchewan and 4% from British Columbia. On July 1, 1975, the price of Canadian crude increased by \$1.50 per barrel, raising the weighted average price of *Norcen's* crude production to \$7.82 per barrel. Average royalty at this price is approximately 33%.

Natural gas production amounts to 185 million cubic feet per day. About 95% is produced in Alberta and 5% in British Columbia. More than 70% of *Norcen's* production is sold to companies exporting gas from Alberta. Except for the small amount of production sold in British Columbia the

remainder is sold to industrial customers in Alberta. As a result of a number of increases during 1975, the price paid to producers for gas exported from Alberta has increased from 60¢ per thousand cubic feet as of January 1, 1975 to approximately 95¢ per thousand cubic feet effective November 1, 1975. Average royalty rate at this price is approximately 35%.

In its recently announced anti-inflation program, the Government of Canada stated that the incentive of higher prices for gas and oil was necessary to promote more effective use and production of energy and that it would continue the policy of permitting the price of energy to rise in a series of orderly steps toward world levels.



## Oil and Gas Reserves

At the beginning of 1975, *Norcen's* reserves of crude oil, synthetic crude and natural gas liquids, before deduction of royalties, were estimated at 140 million barrels. Natural gas reserves, before deducting royalties, were estimated at 1,234 billion cubic feet. These figures do not include substantial reserves of natural gas in the Arctic and North Sea, and heavy oil reserves in Alberta.

## Oil and Gas Exploration

### Canada

*Norcen's* oil and gas exploration is centred primarily in Canada where the company is the eighth largest holder of exploratory acreage. These land holdings are shown in the table on page 11. *Norcen* believes that exploration prospects continue to exist in western Canada for the discovery of reserves that will significantly contribute to the overall Canadian energy supply and to the growth of the company.

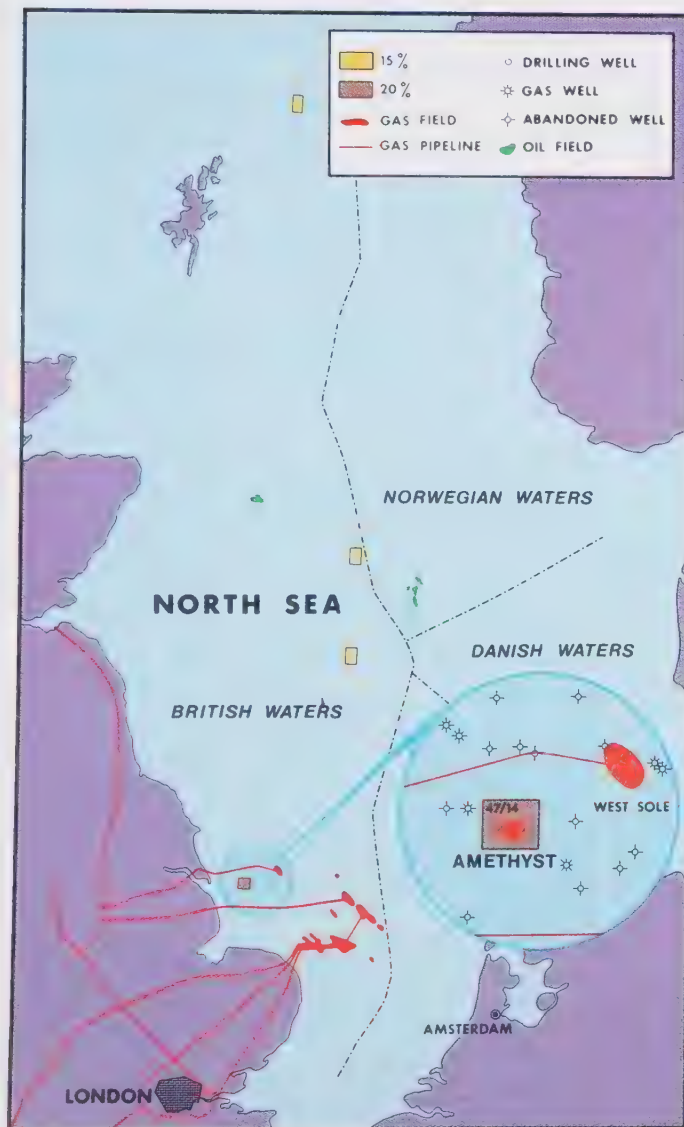
In the first nine months of 1975 *Norcen* participated in 41 exploratory wells in Alberta, of which 16 were discoveries for a success ratio of better than 1 in 3. Recent and past exploration has resulted in identifying approximately 20 areas where oil or gas has been discovered and where additional drilling and development are necessary to assess the full potential.

In the Arctic Islands, *Norcen* is the fifth largest holder of acreage with a total of 15,266,000 gross acres (8,586,000 net acres). *Norcen* has an interest in Drake Point on the Sabine Peninsula of Melville Island, the largest gas field in Canada, where proven reserves are estimated to be in excess of five trillion cubic feet, and in two other gas fields in the Arctic.

Further large structural anomalies have been identified on a number of *Norcen's* Arctic properties, one of which is expected to be drilled in the winter of 1975/76.

*Norcen* owns heavy oil sand leases in the Cold Lake, Peace River and Athabasca areas of Alberta. *Norcen* believes that the heavy oil sands have the potential of supplying a large portion of Canada's future energy requirements, and the company will participate in the development of technology to realize this potential. Start-up of an experimental pilot facility to produce heavy oil by steam injection in-situ recovery on a Cold Lake lease is anticipated in May 1976. Present plans contemplate the production of 2,000 barrels per day in 1979.



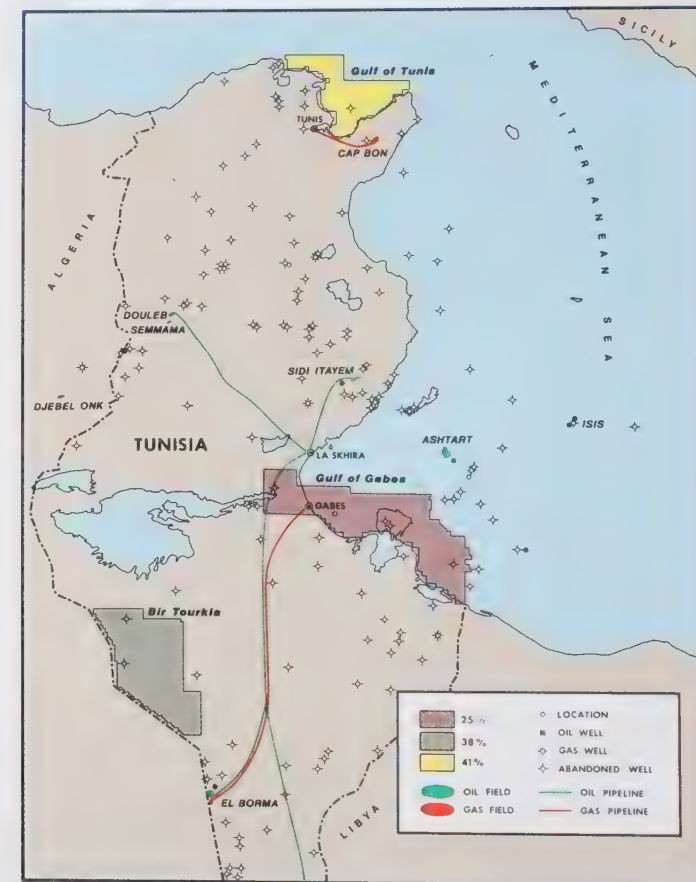


### International

Several years ago, *Norcen* expanded its exploration activities into international areas. This expansion allowed diversification of exploration investment and provided exposure to prospects with the potential of yielding large reserves. *Norcen* now holds 13,530,000 gross exploratory acres (3,195,000 net acres) in seven countries.

In the North Sea, *Norcen* holds varying interests in 260,000 acres, including a 20% interest in the Amethyst field on which three gas wells have been drilled. Ultimate reserves of this field could exceed 1 trillion cubic feet. Studies are being conducted to determine the economics of developing and connecting these reserves to market.

In Tunisia *Norcen* owns a 25% interest in a 1,700,000 acre block in the Gulf of Gabes on which a well is currently being drilled. *Norcen* also holds a 41% interest in 577,000 acres in the Gulf of Tunis where third parties have agreed to pay two-thirds of the cost of an evaluation well.



## Oil and Gas Transmission and Distribution

In the Sultanate of Oman, *Norcen* has a 29.7% interest in 3.8 million acres. To date, one well drilled on this acreage encountered several hundred feet of oil bearing formation which was too impermeable to yield oil. At least two other prospects remain to be drilled.



*Norcen* owns and operates a natural gas gathering and transmission system in the Edmonton area of Alberta. This system gathers, processes, transmits and sells approximately 77 million cubic feet of gas per day to several industrial customers. About 41% of this gas is from wells in which *Norcen* owns interests.

*Norcen* gathers and transports 80,000 barrels per day of crude oil through its 700 miles of oil-gathering and transmission lines in the four western provinces of Canada. Proven and probable reserves connected to these pipelines total approximately 700 million barrels.





## Liquefied Petroleum Gas Marketing

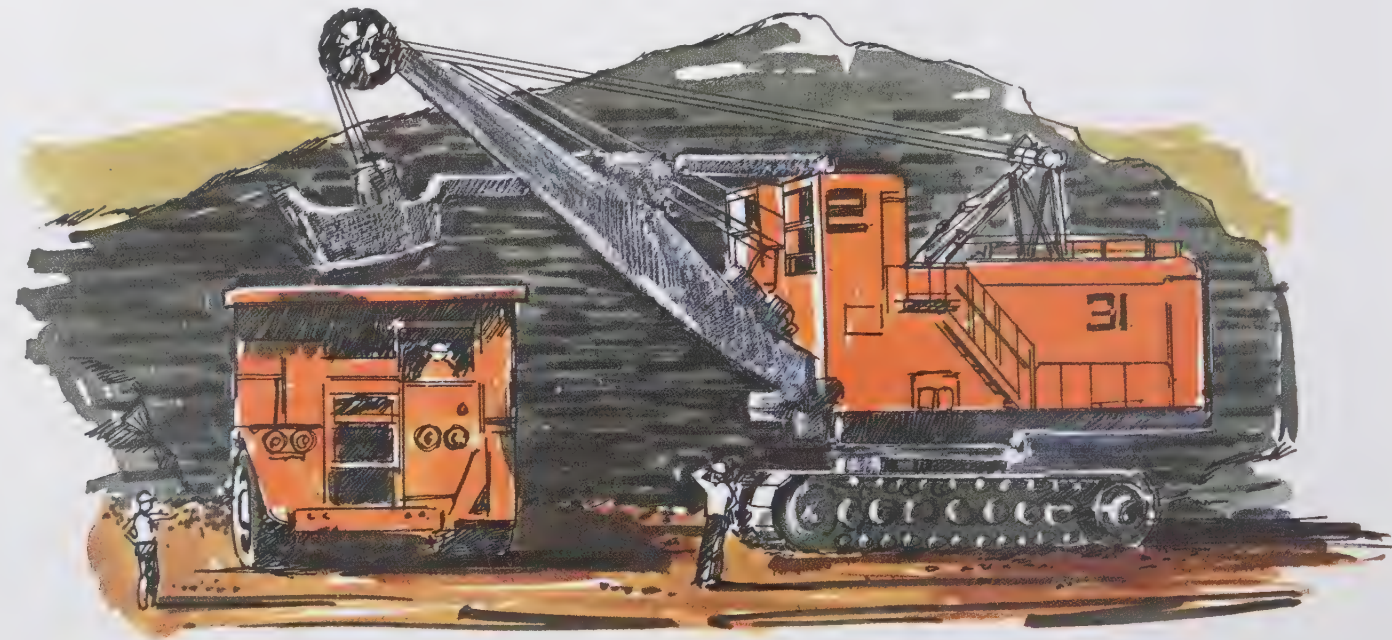
Cigas Products Ltd., *Norcen's* wholly-owned subsidiary, is the third largest liquefied petroleum gas distributor in Canada and, in 1975, is expected to sell in excess of 110 million gallons. Cigas markets LP gas (propane and butane) and related appliances and equipment in the four western provinces of Canada and in the states of Washington and Oregon. Propane and butane have a variety of uses due to their portability and desirable burning characteristics. Primary markets are those where natural gas is not available. LP gas is also used as a supplement for natural gas in peak shaving or industrial stand-by applications.

## Coal

*Norcen* has substantial coal interests in western Canada. Its major holding is through an 81% ownership in Coleman Collieries Limited, an Alberta coal exploration and producing company with operations located in the Crowsnest Pass area of southern Alberta. Coleman holds Crown coal leases and freehold mineral leases totalling 45,509 acres, all within 35 miles of the town of Coleman. Annual production is approximately 800,000 clean

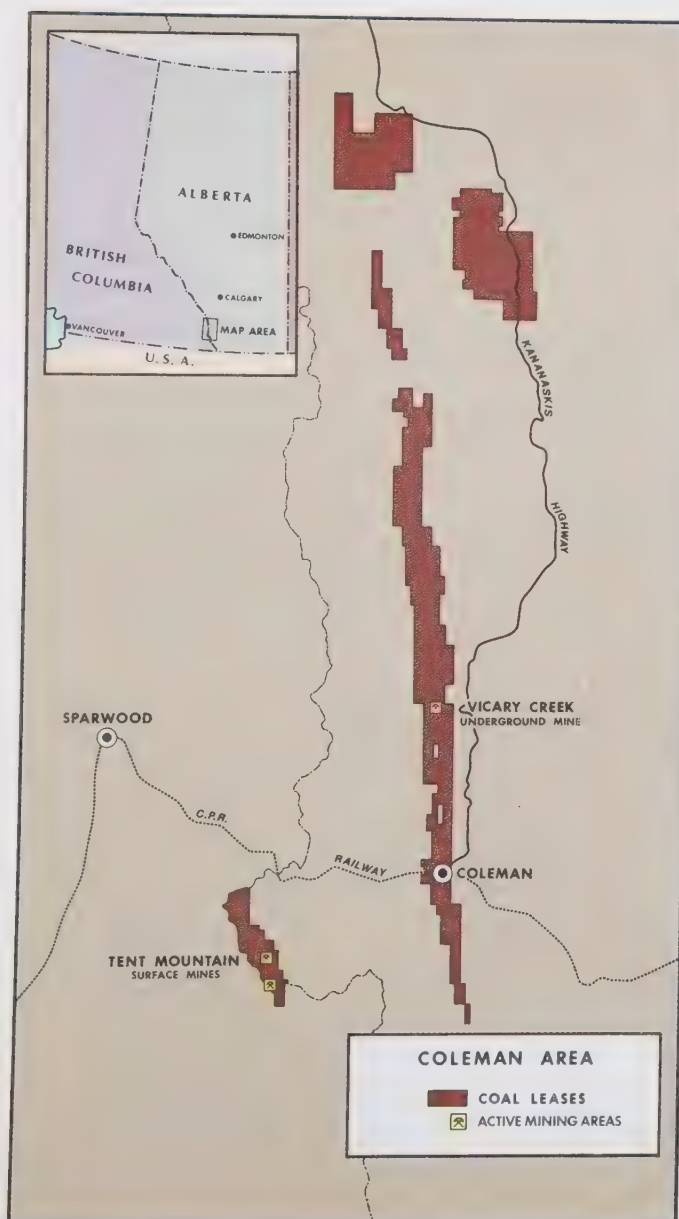
long tons of metallurgical coking coal from underground and strip mines. This production is sold under long term contracts to Japanese steel mills. Coleman presently receives \$50.33 per long ton and, after deducting rail and port charges, nets \$39.63 per long ton at the rail loading point.

Over the last two years, Coleman has carried out an extensive exploration and development program on Tent Mountain to determine the potential for increased production. A full feasibility study covering all aspects of this mining complex is expected by mid-1976.



## Oil and gas land holdings

June 30, 1975



	Leases and Production Licences		Reservations, Permits and Concessions	
	Acres Gross	Acres Net	Acres Gross	Acres Net
<b>Canada</b>				
Alberta .....	4,430,000	1,761,000	720,000	482,000
British Columbia .....	487,000	121,000	621,000	250,000
Manitoba .....	77,000	23,000	—	—
Ontario .....	4,000	4,000	2,000	2,000
Saskatchewan .....	356,000	120,000	47,000	47,000
<b>Canadian Frontier</b>				
Arctic Islands .....	146,000	7,000	14,206,000	8,123,000
Beaufort Sea .....	—	—	914,000	456,000
Northwest Territories .....	50,000	12,000	508,000	186,000
Yukon .....	65,000	33,000	1,774,000	711,000
<b>East Coast</b>				
Labrador .....	—	—	1,031,000	773,000
Flemish Pass .....	—	—	1,029,000	1,029,000
Scotian Shelf .....	—	—	6,863,000	865,000
<b>Foreign</b>				
British Sector of North Sea .....	260,000	62,000	—	—
Tunisia .....	—	—	3,777,000	1,211,000
Oman .....	3,854,000	1,204,000	—	—
Kenya .....	—	—	5,120,000	512,000
United States .....	68,000	6,000	—	—
Other .....	—	—	451,000	200,000
<b>TOTAL</b> .....	<b>9,797,000</b>	<b>3,353,000</b>	<b>37,063,000</b>	<b>14,847,000</b>



# Gas Distribution Operations

## Organization

The companies forming part of the utility group are:

Province	Company
Ontario	Northern and Central Gas Corporation Limited
Quebec	Gaz Métropolitain, inc. Gaz du Québec, Inc.
Manitoba	Greater Winnipeg Gas Company
British Columbia	Columbia Natural Gas Limited
Alberta	Beaver River Utilities Limited

The population of the areas served is 4.5 million, approximately 20% of the population of Canada. The volume of natural gas sold in 1974 was 258 billion cubic feet or 20% of Canada's total consumption. The entire utility system comprises more than 5,720 miles of gas distribution mains, employs 2,100 people and ranks as one of Canada's largest distribution systems.

## Ontario Operation

Served directly by N & C, this is the largest operation in the system in terms of size of area and volume of gas sold. Natural gas is distributed at numerous points along the transmission line of TransCanada PipeLines,

from Kenora near the Ontario/Manitoba border to Orillia, 75 miles north of Toronto, and throughout an area extending 200 miles east of Port Hope along the north shores of Lake Ontario and the St. Lawrence River.



## Quebec Operation

N & C supplies gas to a number of large industrial companies engaged in the production and processing of such natural resources as pulp and paper and forest products, nickel, copper, iron, zinc, lead, silver and gold. Other industrial customers include steel, textile, chemical, cement and fertilizer companies.

Among the larger communities served by the Ontario operation are Kenora, Thunder Bay, Timmins, North Bay, Sudbury, Sault Ste. Marie, Rouyn, Noranda, Orillia, Belleville, Trenton and Cornwall. The population of these franchised areas totals approximately 770,000.

A distribution system comprising 2,220 miles of gas mains serves 98,000 customers who, in 1974, used 120 billion cubic feet of natural gas. The operation has a liquefied natural gas plant with storage capacity of six million gallons (600 million cubic feet).

The Ontario market for gas will expand as resource industries move progressively toward production of more semi-finished and finished goods, in addition to raw materials.

Greater Montreal and the counties of Richelieu and Verchères on the south shore of the St. Lawrence River, an area with a total population of more than 3 million, are served by Gaz Métropolitain, inc. The city of Sherbrooke is served by Gaz du Québec's propane-air mix system, and some industrial customers in Trois Rivières are supplied with natural gas from shallow fields in the Point du Lac area.

With market penetration so far not exceeding 14% in the franchise area, there is an excellent growth potential for natural gas sales in the area served and also in the Province of Quebec. The rising price of fuel oil has, since mid-1973, given natural gas a competitive advantage which, if maintained, should enhance the prospects of continued expansion.

At present, the Quebec operation delivers more than 80 billion cubic feet of natural gas per year through 1,650 miles of distribution mains to 184,000 customers. The Montreal utility's liquefied natural gas plant has a storage capacity of 20 million gallons, the equivalent of 2 billion cubic feet.

In addition, the Quebec operation has a coal coking plant which sells 200,000 tons of foundry and blast furnace coke per year to a number of Canadian and U.S. industries.





## Manitoba Operation

Metropolitan Winnipeg, the commercial, transportation and distribution centre of the Canadian mid-west, and adjacent areas are served by Greater Winnipeg Gas Company. In 1974, through 1,520 miles of gas distribution mains, and using its propane storage, this utility delivered 51 billion cubic feet to its 128,000 customers in Winnipeg, Selkirk, Clandeboye, Gimli, Beausejour and a number of smaller communities.

The weather pattern in Manitoba creates a large demand for heating fuel, and Greater Winnipeg Gas has achieved a high saturation of the residential and commercial markets.

The present population in the area served is 620,000.



## British Columbia Operation

Utilizing 310 miles of gas distribution mains, Columbia Natural Gas Limited serves residential communities and industries in the East Kootenay area of the province. The utility sells 7 billion cubic feet of natural gas per year to more than 8,000 residential, commercial and industrial customers in Cranbrook, Kimberley, Fernie, Creston, Sparwood, Elkford and Yahk.

## Alberta Operation

Beaver River Utilities Limited delivers more than 300 million cubic feet of natural gas per year to the communities of Cold Lake, Grand Centre and Ardmore which are served by 20 miles of distribution mains.

### Regulation

All the utilities are subject to regulation of their rates by the provincial regulatory boards under whose jurisdiction they fall. Proceedings for the setting of natural gas prices have been accelerated in the past two years, thus allowing distributors to pass on higher costs with the least possible delay.

## Natural Gas Supply

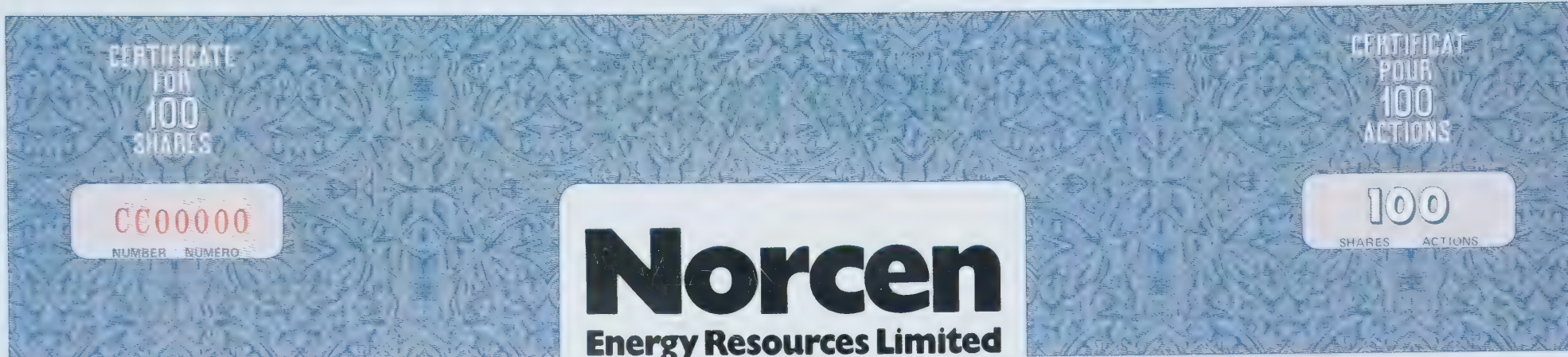
Most of the natural gas distributed by *Norcen's* utilities is purchased from Trans-Canada Pipe-Lines. Small quantities are obtained from other sources.

At present, about 830 million cubic feet of natural gas per day are under contract to *Norcen's* utilities. Based upon the findings of a recent study made by the National Energy Board, if excess Alberta deliverability is made available east of Alberta, it may be possible to maintain *Norcen's* present level of supply from the conventional producing areas until the early 1980's. By that time, it is expected natural gas from frontier areas will be available to Canada's domestic markets.

The gas distribution industry is looking to the federal and provincial governments for measures aimed at the creation of a fiscal climate conducive to the exploration for, and development of, new natural gas reserves.

Given the availability of additional supplies, *Norcen's* gas distribution utilities plan to expand their share of the Canadian energy market. Through increased utilization of storage facilities, above and below ground, and by greater use of liquefied natural gas to meet seasonal surges of demand, they will aim at attaining a higher than ever degree of efficiency in the marketing and distribution of available gas volumes.





## Looking ahead

*Norcen Energy Resources Limited* is a Canadian corporation, more than 90% owned by Canadians. It is management's intention to maintain *Norcen's* character as a Canadian company.

*Norcen's* place in the economy is in the field of energy, and future growth of the company is planned through further expansion in energy-related areas of activity.

The company is engaged in exploration, production and transmission of oil and gas in Canada and in exploration for hydrocarbons in other parts of the world. In addition, *Norcen's* subsidiaries operate gas distribution systems in five Canadian provinces, market liquefied petroleum gas in Canada and northwestern U.S.A. and operate a coal mine in Alberta.

Sharing the view of the resource industry, *Norcen's* management believes that a clearly defined energy policy and equitable royalty and tax structures are indispensable conditions for the continued development of this country's mineral and hydrocarbon resources. Given a reasonable fiscal climate, *Norcen* intends to pursue and intensify its search for new oil and gas reserves.

*Norcen's* present land holdings provide the potential for further successful exploration, but a continuing program of new acreage acquisitions is essential to maintain *Norcen's* momentum of growth.

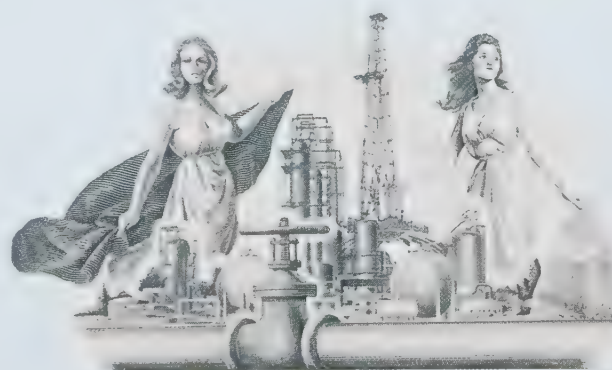
There is scope for significant expansion of *Norcen's* gas distribution operations particularly in Montreal. The extent and timing of such expansion depends on the availability of additional volumes of gas at prices competitive with those of alternative sources of energy.

Higher world prices for coking coal are contributing to the current profitability of *Norcen's* coal mining operations. Increased production and further exploration and development work are envisaged to take advantage of present and future markets for coking and thermal coal.

In addition to promoting growth from within its own resources, *Norcen* aims at planned long-term expansion in energy-related fields, through acquisition of assets and equities as well as through active participation in exploration and development projects at home and abroad.

To best serve the interests of its shareholders, *Norcen* intends to marshal its financial resources in a manner which will assure security and growth of capital as well as a reasonable return on investment.

As a Canadian corporation *Norcen* is aware of its obligations to Canadian society. To be able to meet these obligations, *Norcen* will keep attuned to social change and its demands.



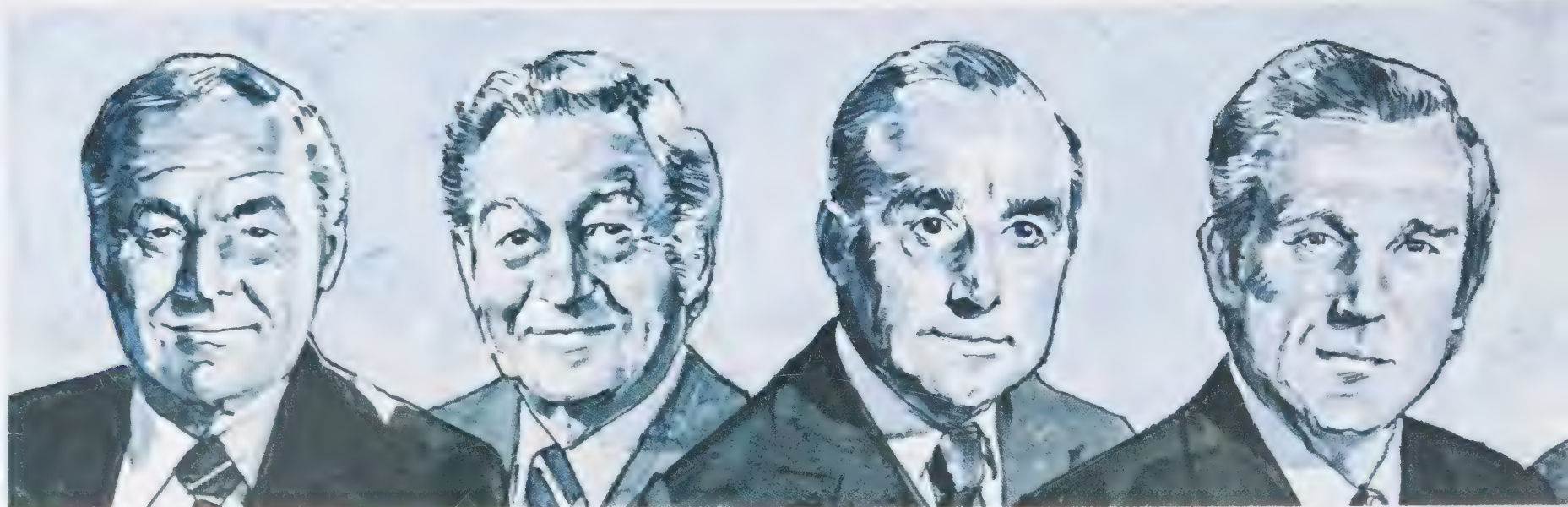
# Directors

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Battle, Edward G.	Toronto, Ontario	Clark, C. Spencer	Seattle, Washington	Richards, Linden J.	Calgary, Alberta
President, Norcen Energy Resources Limited.		Vice-Chairman, Norcen Energy Resources Limited.		Oil and Gas Consultant and Chairman, Quintana Exploration Co.	
Bovey, Edmund C.	Toronto, Ontario	Courtois, E. Jacques, Q.C.	Montreal, Quebec	Romaine, Henry S.	New York, N.Y.
Chairman, Norcen Energy Resources Limited.		Partner with Laing, Weldon, Courtois, Clarkson, Parsons & Tetrault.		Senior Vice-President, Mutual Life Insurance Company of New York.	
		Crookston, J. Ian	Toronto, Ontario	Turner, William I. M., Jr.	Montreal, Quebec
		Chairman, Nesbitt Thomson and Company Limited.		President and Chief Executive Officer, Consolidated-Bathurst Limited.	
		Després, Robert	Quebec City, Quebec	Twaits, William O.	Toronto, Ontario
		President, University of Quebec.		President, Sarcalto Limited.	
		Galvin, Edward A.	Calgary, Alberta	Zimmerman, Adam H.	Toronto, Ontario
		Vice-Chairman, Norcen Energy Resources Limited.		Director and Executive Vice-President, Noranda Mines Limited.	
		Huycke, Frederick A. M., Q.C.	Toronto, Ontario		
		Partner with Osler, Hoskin & Harcourt.			
		Lavoie, Raymond	Montreal, Quebec		
		Director, Vice-Chairman, President and Chief Executive Officer, Credit Foncier Franco-Canadien.			
		Leach, A. Searle	Winnipeg, Manitoba		
		Chairman, Federal Industries Ltd.			
		Love, Richey B., Q.C.	Calgary, Alberta		
		Partner with Macleod Dixon.			
		Noyes, Blancke	New York, N.Y.		
		Director and Senior Vice-President, Hornblower and Weeks-Hemphill, Noyes, Inc.			



# Officers



Edmund C. Bovey

*Chairman of the Board*

Born: Calgary, Alberta, 1916. Canadian citizen. University School and Victoria College, Victoria, B.C. Joined Northern and Central Gas Corporation Limited in 1958, became President in 1965, Chairman and Chief Executive Officer in 1974. Chairman of the Executive Committee of Canadian Industrial Gas & Oil Ltd. from 1966.

C. Spencer Clark

*Vice-Chairman of the Board*

Born: Seattle, Washington, 1912. U.S. citizen. B.Sc. (Eng.), University of Washington. M.B.A. (cum laude), Harvard Graduate School of Business. Ph.D., University of Washington. A founder of Northern and Central Gas Corporation Limited in 1954, Executive Vice-President 1955, Chairman 1965 and Vice-Chairman from 1974.

Edward A. Galvin

*Vice-Chairman of the Board*

Born: Richmond, California, 1913. Canadian citizen. B.Sc., Petroleum Engineering, University of Southern California. President, Canadian Industrial Gas & Oil Ltd. from 1965, Chairman 1973, Chairman and President from 1974. Chairman of the Executive Committee of Northern and Central Gas Corporation Limited from 1974.

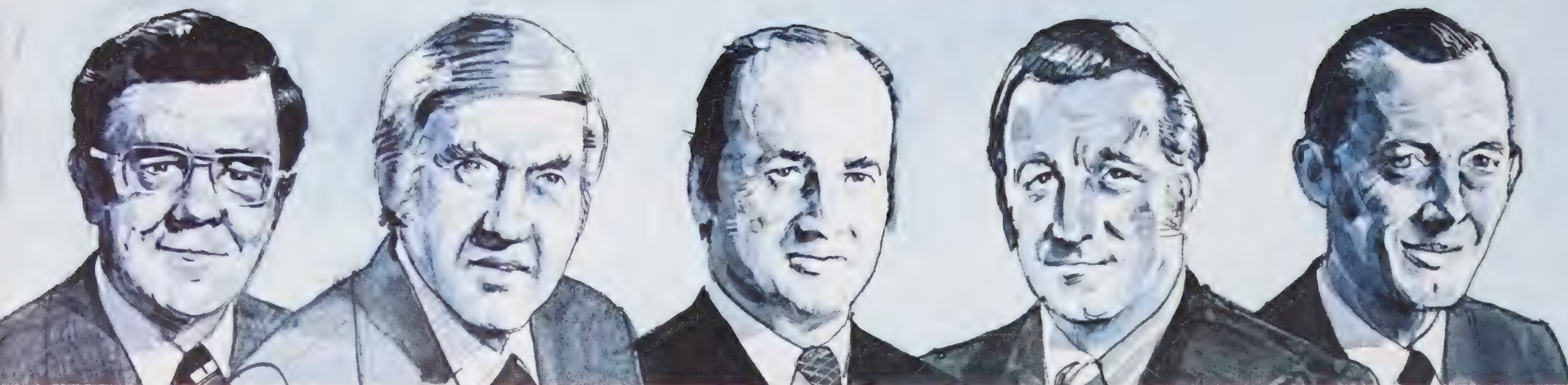
Edward G. Battle

*President*

Born: Mont Belvieu, Texas, 1931. Canadian citizen. B.Sc., Petroleum and Geological Engineering, Texas A & M University. Vice-President, Production, Canadian Industrial Gas & Oil Ltd. 1965. Executive Vice-President 1966, and President 1973. President and Chief Operating Officer Northern and Central Gas Corporation Limited from 1974.







Donald D. Barkwell  
*Vice-President,  
Natural Resources*

Born: Eston, Saskatchewan, 1930. Canadian citizen. B.Sc. (Mech. Eng.), University of Saskatchewan. Since 1965 has held various senior appointments with Canadian Industrial Gas & Oil Ltd., became Executive Vice-President in 1974.

William C. Hennenfent  
*Vice-President, Planning*

Born: Moose Jaw, Saskatchewan, 1929. Canadian citizen. B.Sc. (Mech. Eng.) University of Saskatchewan. Evaluation Engineer, Canadian Industrial Gas & Oil Ltd. 1966, Vice-President, Corporate Planning, 1974. Joined Northern and Central Gas Corporation Limited as Vice-President, Planning, in 1975.

William T. Kilbourne  
*Vice-President, Legal,  
and Secretary*

Born: Washington, D.C., 1934. U.S. citizen. B.A. Economics, Yale University, LL.B., University of Michigan Law School. Counsel for The Superior Oil Company 1963. Vice-President, Corporate Affairs, McIntyre Porcupine Mines Limited 1968. Vice-President, Legal, and Secretary of Northern and Central Gas Corporation Limited from 1972.

Jean-J. Leroux  
*Vice-President, Utilities*

Born: Lachine, Quebec, 1923. Canadian citizen. B. Applied Sc., Mechanical Engineering, Polytechnic School, Montreal University. Chief Engineer, Gaz Métropolitain, inc. 1957, Executive Vice-President 1966. Joined Northern and Central Gas Corporation Limited in 1967 as Executive Vice-President, Ontario, Executive Vice-President, Operations 1972, and President in 1975.

Timothy G. Sheeres  
*Vice-President, Finance*

Born: Kent, England, 1928. Canadian citizen. Member of Canadian, Alberta, and Ontario Institutes of Chartered Accountants. Treasurer, Canadian Industrial Gas & Oil Ltd. 1965. Since 1967 has held senior financial positions with Northern and Central Gas Corporation Limited, became Executive Vice-President, Finance and Corporate Affairs in 1972.



# Financial Statements

## Consolidated Statement of Income

(Thousands of Dollars)

(Unaudited)

### Basis of accounting for reorganization

In accordance with generally accepted Canadian accounting principles the reorganization has been treated as if it were a "pooling of interests". Consequently, these financial statements are presented on a pro forma basis as though the reorganization had taken place at the beginning of the respective periods.

### Fiscal year end

Norcen has adopted December 31 as its fiscal year end.

Due to the seasonal nature of certain operations within the group, results for only nine months of a fiscal year may be subject to misinterpretation; accordingly the financial statements are presented both for the elapsed portion of the fiscal year and on a 12 months-ended basis.

### Revenues

Sales and other revenues . . . . .

### Cost and expenses

Gas purchases . . . . .

Production, operations and maintenance . . . . .

Depreciation and depletion . . . . .

Interest . . . . .

Income taxes—current . . . . .

—deferred . . . . .

**Income before minority interests** . . . . .

Minority interests in subsidiaries . . . . .

**Income before extraordinary items** . . . . .

### Extraordinary items:

Reduction in a subsidiary's income taxes resulting from application of prior years' tax losses, after minority interests . . . . .

Write down of investment (net of deferred income taxes) . . . . .

**Consolidated net income** . . . . .

Dividends on preference shares . . . . .

**Net income applicable to common shares** . . . . .

**Average common shares outstanding** (thousands) . . . . .

### Earnings per share

Before extraordinary items . . . . .

Including extraordinary items . . . . .

### Fully diluted earnings per share

Before extraordinary items . . . . .

Including extraordinary items . . . . .

9 Months ended September 30					12 Months ended September 30				
1975				1974	1975				1974
Oil and Gas	Coal	Utilities	Total	Total	Oil and Gas	Coal	Utilities	Total	Total
<u>\$89,556</u>	<u>\$26,712</u>	<u>\$214,999</u>	<u>\$331,267</u>	<u>\$239,014</u>	<u>\$113,194</u>	<u>\$33,112</u>	<u>\$289,986</u>	<u>\$436,292</u>	<u>\$318,689</u>
21,237	—	135,584	156,821	105,438	29,860	—	179,605	209,465	142,344
19,222	20,302	43,930	83,454	59,498	23,910	24,963	60,023	108,896	79,235
13,370	2,338	9,514	25,222	18,838	15,898	3,472	12,725	32,095	24,588
8,214	1,370	19,392	28,976	21,583	9,528	1,771	25,319	36,618	28,287
9,773	—	997	10,770	1,559	12,556	—	1,041	13,597	1,564
2,529	1,117	—	3,646	8,410	3,694	1,011	81	4,786	10,155
<u>74,345</u>	<u>25,127</u>	<u>209,417</u>	<u>308,889</u>	<u>215,326</u>	<u>95,446</u>	<u>31,217</u>	<u>278,794</u>	<u>405,457</u>	<u>286,173</u>
15,211	1,585	5,582	22,378	23,688	17,748	1,895	11,192	30,835	32,516
111	302	1,299	1,712	2,528	155	358	2,200	2,713	3,510
<u>15,100</u>	<u>1,283</u>	<u>4,283</u>	<u>20,666</u>	<u>21,160</u>	<u>17,593</u>	<u>1,537</u>	<u>8,992</u>	<u>28,122</u>	<u>29,006</u>
	622		622	1,138		535		535	1,138
(6,667)			(6,667)	(2,334)	(6,667)			(6,667)	(2,334)
8,433	1,905	4,283	14,621	19,964	10,926	2,072	8,992	21,990	27,810
—	—	3,086	3,086	3,125	—	—	4,120	4,120	4,169
<u>\$ 8,433</u>	<u>\$ 1,905</u>	<u>\$ 1,197</u>	<u>\$ 11,535</u>	<u>\$ 16,839</u>	<u>\$ 10,926</u>	<u>\$ 2,072</u>	<u>\$ 4,872</u>	<u>\$ 17,870</u>	<u>\$ 23,641</u>
			19,407	19,391				19,399	19,390
			\$0.91	\$0.93				\$1.24	\$1.28
			\$0.59	\$0.87				\$0.92	\$1.22
			\$0.85	\$0.88				\$1.16	\$1.20
			\$0.59	\$0.83				\$0.91	\$1.15



## Consolidated Statement of Financial Position

(Thousands of Dollars)

(Unaudited)

	September 30 1975	December 31 1974
<b>Assets employed</b>		
Working capital . . . . .	\$ 12,682	\$ 8,054
Investments, at cost less amounts written off . . . . .	21,953	32,398
Properties, plant and equipment, less accumulated depreciation and depletion		
Natural resources—oil and gas . . . . .	245,813	135,952
—coal . . . . .	37,067	39,057
Gas utilities . . . . .	411,017	402,566
	<u>693,897</u>	<u>577,575</u>
Deferred charges, at amortized cost . . . . .	17,468	16,057
Intangible assets arising from acquisitions of gas utilities, at amortized cost . . . . .	<u>35,820</u>	<u>35,820</u>
Total assets employed . . . . .	<u>\$781,820</u>	<u>\$669,904</u>

	September 30 1975	December 31 1974
<b>Sources of capital</b>		
Commercial paper and bankers' acceptances . . . . .	\$ 83,000	\$ 25,339
Bank loans . . . . .	87,035	45,527
Long-term debt (other than bank loans and excluding current maturities . . . . .	317,480	307,021
<b>Total debt</b> . . . . .	<u>487,515</u>	<u>377,887</u>
Minority interest in subsidiaries . . . . .	34,867	34,782
Deferred income taxes . . . . .	42,271	42,462
<b>Shareholders' equity</b>		
<b>Capital stock</b>		
Authorized		
1,300,000 First preference shares \$25 each par value, issuable in series		
4,000,000 Junior preference shares \$25 each par value, issuable in series		
50,000,000 Common shares without par value		
Issued		
First preference shares		
4,618 \$1.06 cumulative, series A . . . . .	115	180
1,230,457 \$1.50 cumulative convertible, series B . . . . .	30,761	31,128
Junior preference shares		
1,500,000 \$1.50 cumulative convertible, first series . . . . .	37,500	37,500
19,401,650 Common shares . . . . .	90,616	90,502
<b>Retained earnings</b> . . . . .	<u>58,175</u>	<u>55,463</u>
<b>Total shareholders' equity</b> . . . . .	<u>217,167</u>	<u>214,773</u>
<b>Total capital employed</b> . . . . .	<u><u>\$781,820</u></u>	<u><u>\$669,904</u></u>



**Executive Office**

4600 Toronto-Dominion Centre  
Toronto, Ontario M5K 1E5

**Registered Office**

Norcen Tower  
715-5th Avenue S.W.  
Calgary, Alberta T2P 2X7

**London Office**

1st Floor, Wellington House  
6/9 Upper St. Martin's Lane  
London, England WC2H9DL

**Northern and Central Gas Corporation Limited**

245 Yorkland Boulevard  
Willowdale, Ontario M2J 1R1

**Gaz Métropolitain, inc.**

1155 Dorchester Boulevard  
Montreal, Quebec H3B 3S5

**Greater Winnipeg Gas Company**

265 Notre Dame Avenue  
Winnipeg, Manitoba R3B 1N9

**Cigas Products Ltd.**

Norcen Tower  
715-5th Avenue S.W.  
Calgary, Alberta T2P 2X8

**Great Plains Development Company of  
Canada, Ltd.****Prairie Oil Royalties Company, Ltd.  
Trans-Prairie Pipelines, Ltd.**

Norcen Tower  
715-5th Avenue S.W.  
Calgary, Alberta T2P 2X7

**Coleman Collieries Limited**

Coleman, Alberta T0K 0M0

**Listings**

Common Shares, First Preference Shares and  
Junior Preference Shares  
Toronto and Montreal Stock Exchanges

**Transfer Agents and Registrars**

Common Shares, First Preference Shares and  
Junior Preference Shares

National Trust Company, Limited  
Calgary, Toronto, Montreal, Winnipeg and  
Vancouver

and (as agent for National Trust)

Canada Permanent Trust Company, Regina  
Common Shares

Morgan Guaranty Trust Company of New York,  
New York.

**Auditors**

Thorne Riddell & Co., Chartered Accountants

This brochure is issued to shareholders and other interested parties for information purposes only, and is not to be construed as an offering of securities for sale.





# **Norcen**

**Energy Resources Limited**

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*November 1975*